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Situated in northern Europe, Finland is a country with an open market economy; about 40 percent of GDP comes from foreign trade. Finland's membership in the EU (1995) has resulted in a further opening of the markets to international companies. Most Finnish enterprises are privately owned. Most state-controlled companies operate on a commercial basis, according to free-market principles. Finland's business attitude towards the United States is positive, and business relations between Finnish and U.S. companies are often based on many years of mutual experience.

Besides holding a leading position in wood-based industries, Finland is the world leader in the manufacture of cellular phones, paper machinery, medical devices and instruments for environmental measurements. The primary competition for American companies comes from European suppliers, especially German, Swedish, and British (see best prospects section for detailed description of competitor market shares by industry sectors).

Finnish - U.S. Trade

The U.S. position as Finland's most important trading partner outside of Europe was solidified in 2000. With 7.1 percent share of imports, the United States is Finland's fourth largest supplier after Germany, Sweden and Russia, moving ahead of the United Kingdom and Japan. The total value of U.S. exports to Finland in 2000 was \$2.4 billion. Major exports from the United States to Finland are machinery, telecommunications equipment and parts, aircraft and aircraft parts, computers, peripherals and software, electronic components, electric machinery, chemicals, medical equipment, and some agricultural products. This trend is expected to continue through the year 2001.

The main export items from Finland to the United States are ships and boats, paper and paperboard, refined petroleum products, telecommunications equipment and parts, and motor cars. The United States is Finland's fourth largest customer after Germany, Sweden, and the United Kingdom. The U.S. share of Finnish exports in 2000 was 7.4 percent, or \$3.4 billion.

Finland's Surging High-Tech Sector

Finland's electronic and electrical sector overtook the forest products and metal industries as the country's largest export industry in the 1990's. In 2000, high-tech exports were 23 percent of total Finnish exports and increased in volume by 43 percent over 1999. Production in this sector has increased almost five-fold since 1990. The sector also accounts for 60 percent of all industry R&D funds in Finland.

Finland's largest company, Nokia, is the number one manufacturer of mobile phones in the world. Presently, 75 percent of Finns own a mobile phone and there are more Internet connections per capita in Finland than in any other country in the world. Finland's impact on the future of the information technology and wireless communications industries will certainly continue to be very significant in the future (see best prospects section – telecommunications services and equipment).

Finland, a Springboard to Russia and the Baltic States

Finland's gateway position between east and west was also emphasized when Finland became a member of the EU and was strengthened during Finland's EU Presidency (July-December 1999). As the only EU member state bordering Russia, Finland is a vital transit channel to the Russian markets. Over 40 percent of the EU's road shipments to Russia are shipped from Finland or arrive via Finland.

Finns know how to do business in Russia and the Baltic States. Finland's excellent infrastructure and its geographical proximity to Russia and the Baltic countries, especially Estonia, give Finland an advantage as a gateway to the east. Many foreign and U.S. companies are using Finland as a base for opening their transportation and marketing activities to the former Soviet Union.

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Major Trends and Outlook

The Finnish economy has continued its recovery from the devastating 1990-93 recession; in early 1997 GDP returned to pre-1990 levels. Since then the economy has grown at an average of 4.8 percent per year.

On January 1, 1999, 11 EU member countries including Finland joined the third stage of the EMU. This third and final stage of EMU commenced with the irrevocable locking of the exchange rates of the eleven currencies participating in the Euro area and with the conduct of a single monetary policy under the responsibility of the ECB. The Finnmark (FIM) was pegged to the Euro at 5.9457. On January 1, 2002, the Finnmark will be replaced by the Euro.

In 2000, the GDP was FIM 785 (\$122) billion and the growth rate 5.7 percent. The GDP growth for 2001 is forecast at 3.7 percent. In year 2000, 28.4 percent of GDP was generated in industry, 12.2 percent in trade, restaurants and hotels, 9.5 percent in transport and communications, 5.8 percent in construction, 3 percent in agriculture, forestry and fishing, 4 percent in finance and insurance and 36.5 percent in other services. Of a total employment of 2,335,000 people in 2000, 6 percent were engaged in primary production, 28 percent in industry and construction, and 66 percent in services.

In 2001, labor demand is expected to continue to grow fast in businesses and in public sectors. The unemployment rate is expected to fall to 8.9 percent by the end of year 2001. Regional differences in unemployment are set to become wider and unemployment will increasingly involve the same individuals. In 2001, the index of

wage and salary earnings is projected to rise by a good 4 percent on average from 2000. The consumer price index in year 2001 is expected to rise by an average 2.5 percent from the previous year. If no significant new inflationary pressures arise from external factors, the rise in the consumer price index in 2002 is expected to drop to below 2 percent.

Private consumption grew by 3 percent in 2000, slightly less than in the past years. Despite weaker consumer confidence, consumption is expected to grow steadily both in 2001 (by 3.5 percent) and in 2002 (by 3 percent). Private consumption is expected to grow less than purchasing power, meaning a rise in the savings ratio.

Exports grew very fast in 2000, but the 2001 rate of growth is expected to slow down substantially as the outlook is weak in many sectors. EU and EFTA countries have continued to absorb the bulk of Finnish merchandise exports. In 2000, their average share was 60.1 percent. Over the same period, Finland's exports to other European countries (including Russia) accounted for 13.5 percent, developing countries 11.3 percent and the USA 7.4 percent. Germany is the largest trading partner of Finland with 12.5 percent of Finland's exports.

The regional distribution of Finland's imports has been quite similar to that of exports with the EU and EFTA countries accounting for 59.9 percent and other European countries for 15.3 percent. Imports from outside Europe are primarily from Asia (14 percent) and the USA (7.1 percent) and less than one percent comes from Africa. The rise in the price of imports has been precipitated by the increased cost of raw materials such as oil. The weakness of the Euro against other currencies has also resulted in a rise in the cost of imports.

In 2000, the share of paper industry exports was 26.4 percent, the share of machinery and metal production 24.7 percent, and the share of electrical equipment and electronics 31 percent. Raw materials accounted for 40.8 percent of total merchandise imports, energy 12.3 percent, investment goods 24 percent, durable consumer goods 10.7 percent and other consumer goods 12.2 percent.

The financial surplus in the central government rose to 3.5 percent of GDP in 2000 thanks to an exceptionally strong revenue basis. Revenue from taxes and social security contributions grew by 16 percent. In 2001, revenue from direct taxes is expected to be smaller than in 2000 as growth in capital assets revenue ceases, revenue in businesses slows down, and income taxation eases. The surplus is estimated at 2.5 percent of GDP in 2001. State debt is expected to fall below 44 percent of GDP in 2001.

Principal Growth Sectors

Manufacturing: Manufacturing output grew by 13 percent in 2000, driven by a strong export sector. Production grew in all main sectors of the manufacturing industry. Growth in the electronics industry, however, outpaced all other sectors. Prospects in the manufacturing industry began to weaken towards the end of 2000, and the stock of orders fell slightly below normal. The fall in demand was most pronounced in the wood products industry. Output growth for 2001 is expected to decrease, but still expected to grow by 7 percent.

The metal industry grew 22.5 percent from the previous year, growing faster than the other major industrial sectors. The rate was fastest in the electronics industry, where output was up by 37 percent. Prospects in the electronics industry deteriorated considerably towards the end of 2000. In early 2001, a number of electronics companies issued profit warnings. Growth in production is estimated to level off this year, but still expected to exceed growth in other industries on an annual average. Output growth in the entire metal industry is forecast at 12.5 percent during 2001.

The output in the forestry industry was up by 4.5 percent in 2000. Demand was strong both in pulp and paper industry and in the wood industry, and production reached almost full capacity. Prospects took a sharp downturn at the end of 2000, however. Order books fell to the lowest level in two years. Slower growth in construction activities will result in weaker domestic demand in wood products. The volume of production in the forest industry is not forecast to increase in 2001.

Biotechnology is an important and growing sector in the Finnish economy and society. High-level research and know how in the life sciences, advanced infrastructure, improved risk financing, and a relatively positive public attitude together provide a solid basis for development of Finland's biotech industry. Recently ranked as #6 in Europe, 10 percent of Europe's biotechnology companies are Finnish. The areas of greatest strength are pharmaceuticals, biomaterials, diagnostics and industrial enzymes.

Agriculture: The five-year transitional period granted when Finland joined the EU came to an end in 1999. The new support measures, effective from year 2000, do not differ from the transitional arrangements. Agriculture continues to receive support in basically the same way as before. Decisions on national measures will be in force until the end of 2003. The agricultural reform of the EU, Agenda 2000, did not bring along any dramatic changes in the support policy from a Finnish perspective. Price support for arable crops, milk and beef is lowered by degrees, and losses to agriculture are compensated for through an increase in direct payments. In the dairy regime the reform will start in the marketing year 2005-2006. New elements in the support system include the support for silage grass, which was very important for Finnish livestock production, as well as additional support for cereals and oil-seed crops in Finland. The shift in the emphasis of the support measures from price support to direct payments follows the trend started by the reform of 1992. The objective is to prevent oversupplies, which are very costly. The reduction in price support brings the EU prices closer to the world prices, and the need for export subsidies decrease.

Services: Private services increased by 4 percent in 2000. In 2001, private services are estimated to increase about the same amount despite signs of weaker outlook in the services sector. Shortages in supply of qualified labor are dampening future prospects in the service sector.

Output in transportation services grew by 5.5 percent last year. New records were reached in cargo volumes at ports, whereas passenger traffic decreased in part due to the termination of passenger traffic in the northern part of the Gulf of Bothnia. Passenger volumes in air traffic were up by 5 percent. High fuel prices hampered profitability in transport companies. Demand for transport services in 2001 is expected to decrease. Other service sectors such as real estate services, computer services and consultants' services are expected to continue to grow.

Government Role in the Economy

During the severe recession of the early 1990s, the Finnish government's financial position deteriorated rapidly. The government became deeply indebted because, as tax revenues fell, transfer payments under the country's extensive social welfare programs rose dramatically. At the same time, the government was forced to bail out several major banks whose failure would have prompted a collapse of the banking system. Since then, the major aim of the government's fiscal policy has been to curb the growth of debt.

Over the next few years, the government intends to pursue an economic policy of stable development and sound structural change, so that Finland will be prepared to meet serious challenges, such as the aging of its population, the internationalization of its economy, the welfare of its population and the requirements of balanced regional development. Success will largely depend on fiscal policy, which in the Euro environment plays a particularly important role. The government is expected to pursue a tight fiscal policy over the next few years.

The government has promised decisive action to increase employment and adopted a package of measures aimed at cutting the number of jobless over the next few years. This employment program aims to deepen the process of gradual re-employment and reduce the tax wedge by reducing unemployment insurance, social security and pension contributions in order to stimulate purchasing power and increase demand for labor. The program also aims to create a stronger labor market by reforming working conditions, improving vocational training, introducing job sharing, encouraging private sector growth, and stimulating the housing and building industry.

The Finnish government has traditionally played a dominant role in the economy. In the decades since World War II, state-owned companies have held a dominant position in Finland's national economy. The basic strategy for the privatization process has been to treat each company as an individual case. The program's aim is to reduce the government's stake through stock transactions rather than by selling off companies to individual investors. The only major divestment of share holdings in 2000 was the sale of 3 percent of the state's stake in Sonera, which brought in FIM 2.02 billion (\$30 million) at a time when the firm's stock was near its historic highs of 90 Euros. The Finnish state has share holdings in 46 major companies. The state controls four stock exchange listed companies; the telecom service provider Sonera, the national airline Finnair, the energy group Fortum and the chemicals group Kemira.

In June 2001, Finland's parliament granted the Finnish government permission to cut the state's share in the alcohol company Altia Group and in the peat and wood company Vapo from 100 percent to 50.1 percent.

Balance of Payment Situation

With the onset of Stage Three of EMU on January 1, 1999, Finland's balance of payments lost its importance for monetary and exchange rate policy. In the future, the European Central Bank will aggregate all of the EMU member states' balance of payments and report them quarterly. Only the current account for the whole Euro area can affect the Euro's exchange rate against other major currencies. The surplus in Finland's current account was FIM 60.7 (\$9.4) billion representing 7.7 percent of GDP

in 2000. In 2001, the surplus is estimated at FIM 62.1 (\$9.5) billion. The interest bearing net foreign debt (net foreign debt excluding shares and other equity items) decreased sharply in the first half of 2000, recording its lowest level in June 2000, when it totaled FIM 76 billion (\$6.5). An increase in business debt and the depreciation of the Euro raised net debt to FIM 91 (\$14) billion at the end of last year, though.

The surplus on the trade account, boosted by strong exports, once again reached a new record in 2000, totaling FIM 85.6 (\$13.3) billion and the ratio of the trade account surplus to GDP rose to 10.9 percent. In 2001, the trade account surplus is expected to increase to FIM 94.2 (\$13.9) billion.

The financial health of Finnish companies has improved substantially in the last four years. As a result of the exceptionally deep recession in the early 1990s, households and enterprises are now becoming cautious in their behavior again due to a recent slow-down. Although the savings ratio is expected to increase from 2000 's record low, private consumption is forecast to grow by 3.5 percent. The household debt ratio has risen as the cost of housing has increased, but still remains at a reasonable level.

After strong growth in 2000, central government revenue is not expected to increase in 2001. Central government expenditures are anticipated to grow by 3 to 4 percent. Altogether FIM 21 billion (\$3.1) has been budgeted for net debt redemption on central government debt this year, and by the end of 2001, the debt is estimated to total FIM 355 billion (\$52.2) 43 percent of GDP.

Changes in the international financial markets were reflected in Finnish markets not only in share prices, but also in investment flows; capital flowed out of the country at a net value of FIM 55 billion (\$ 8.5) in 2000, almost equivalent to the surplus in the current account. The net outflow of foreign direct investments was as much as FIM 65 (\$10.1) billion.

Investment outflows continue to exceed direct investment in Finland. Some tax changes, the promotion of Finland as a gateway for Russian markets and Finnish membership in the EU may encourage foreigners to invest more in Finland, but their main interest is expected to remain in portfolio investments.

Infrastructure

Finland has a well-developed infrastructure. Finland's transportation system is based on an efficient rail and road network, supported by a wide network of freight forwarders and trucking companies. Finland's domestic distribution system for goods and services is efficient. Finland has a total of 60 ports and loading places. Twenty-three seaports are open year round. Finnish ports, 15 of which deal with transit traffic through Finland, can handle a wide range of cargo. The ports on the Gulf of Finland handle about 50 percent of all sea borne cargo traffic. The ports near the Russian border (Hamina, Kotka and Mustola) concentrate on forestry goods, bulk cargo and free zone activities. Ports are secure and automated; loading and unloading operations are consistently quick and trouble free.

The well-functioning transportation system and the fact that Finland's rail gauge is the same as Russia's make the country a good transshipment point for Russian trade. Among other projects, Finland is developing the "gateway" concept further by

maintaining and extending a highway in southern Finland that would reach the Russian border at the southern Vaalimaa border crossing point. The E18 road, from Kristiansand, Norway, through Sweden and Finland, to St. Petersburg, Russia, is part of the European Union Trans European Road Network system, connecting EU-member Nordic capitals with efficient roads.

Finland's international telecom set-up began to admit limited competition in 1993, with further deregulation on July 1, 1994. On the domestic telecommunications front, competition entered the picture at the beginning of 1994. In the next few years, the telecom and information technology sectors will continue to grow rapidly. Finland's telecommunications environment is one of the most advanced in Europe and the growth of international telecom is of significant importance to the Finnish economy. Mobile phone penetration in Finland exceeds 70 percent. The number of Internet connected computers per 1000 inhabitants amounts to 121. Finland was the first country to grant licenses for third generation mobile networks. Four telecommunications companies received licenses to construct a third generation (3G) mobile network. Operations are expected to be launched, at the latest, by January 1, 2002.

Almost every Finn has access to broadband networks. Fiber optic cables cover 95 percent of Finnish municipalities and 99 percent of the population live in these municipalities. Altogether 95 percent of Finns live within a few kilometers of high-speed fiber optic cable networks.

In 1999, significant steps were taken to establish a digital television system in Finland, when the Ministry of Transport and Communications granted licenses for digital television channels. The licenses were granted for ten years, from September 2000 to August 2010. The government also granted licenses for three special digital channels and a television channel that broadcasts regional programs. Digital transmissions are expected to begin on August 27, 2001, even though it remains uncertain whether digital receivers for such will be in the shops by then. The government plans to phase out analog television by the end of 2006.

Nature of Political Relationship with the United States

Relations between the United States and Finland are excellent and free from bilateral disputes except for occasional trade disputes, now largely subsumed by the broader U.S. - EU trade relationship. The U.S. cooperates with Finland in various international organizations such as the UN, OSCE and OECD. Finland's 1995 accession to the European Union (EU) has added a new dimension to U.S.-Finnish relations. Both countries share a deep interest in the stable political and economic development of Russia and the Baltic States. This interest is reflected in the U.S. Northern European Initiative (NEI) and the Finnish-inspired EU Northern Dimension program, which was an integral part of the Finnish EU Presidency platform from July through December 1999.

Finland remains militarily non-aligned; it is an active member in NATO's Partnership for Peace (PfP) program. Finland's participation in NATO-led peacekeeping operations in Bosnia and Kosovo demonstrated Finnish commitment to PfP.

Major Political Issues Affecting Business Climate

Finland took the historic step of joining the European Union in January 1995. A new parliament was elected in March 1999. The president, the governing coalition, the opposition and the Finnish public hold firmly to Finland's current policy of non-alignment. Public debate about possible Finnish membership in NATO, which began in 1996, continues. One of the key issues of Finland's EU Presidency (July-December 1999) was the reconstruction of Kosovo. In 1998, the Finnish parliament easily approved a government motion to allow Finland to enter the first round of the European Monetary Union (EMU). As of January 1, 2002, Finland will switch over to the single European currency. EU membership for the Baltic States is a Finnish priority.

Social Democratic Prime Minister Paavo Lipponen's broad, five-party coalition continues to face high unemployment, 9.8 percent in 2000. Unemployment for 2001 is projected to be 8.6 percent, so the trend is a gradual but steady decline from a peak of 18.2 percent in 1994. In essence, Lipponen's government is trying to prune, but preserve, the welfare state. It has also been paying off the high public debt left over from the economic crisis of the early 1990s, at the cost of some political capital.

In December 2000, cooperation among the government, labor unions and employers brought about a two-year general incomes policy settlement. Around 95 percent of Finnish wage and salary earners came under the agreement. The State participated in the settlement by offering income tax relief in both years: FIM 6 billion in 2001 and FIM 4 billion in 2002. The net effect on an average family's income of the pay increases and the tax relief amounts to 4.8 percent in the first year and nearly 3 percent in the second year. Of the unions which did not join the settlement, the public sector Medical Association has been on strike since early March. Its demand for a 20 percent pay increase was termed excessive by the employers.

Brief Synopsis of Political System, Schedule for Elections, and Orientation of Major Political Parties

Finland is a parliamentary democracy headed by a strong president, although presidential power has been somewhat reduced by the country's new constitution, which took effect on March 1, 2000. The president is elected for a six-year term and has primary responsibility for bilateral relations and national security issues. The Prime Minister, on the other hand, is the head of government and has responsibility for domestic and EU affairs. The President of Finland is Tarja Halonen, who took office in March 2000. She is the first female president of Finland.

Parliamentary elections are normally held every four years; the most recent were in March 1999. Social Democratic Party chair Paavo Lipponen continues his position as Prime Minister for his second consecutive term. Lipponen's government is a broad "rainbow" coalition of parties with the rural-based Center Party in opposition. Currently there are eight parties represented in Finland's 200-member unicameral legislature, the Eduskunta: the Social Democrats (52 seats), the Center Party (48), the Conservative Party (46), the Left Alliance (20), the Swedish People's Party (12), the Green League (11), the Christian Democrats (10), and the True Finns (1). The current governing coalition in Finland consists of the Social Democrats, the Conservatives, the Greens, the Left Alliance and the Swedish People's Party.

Principal Political Parties

Social Democratic Party (SDP): The SDP is an urban-based party with close ties to the labor unions. Despite its Marxist origin a hundred years ago, the modern SDP is supportive of the market economy and individual rights. This being said, it supports the Nordic welfare state. Under current party chair and Prime Minister Paavo Lipponen, the SDP has strongly supported Finnish membership in the European Union from 1995 onward, as well as Finnish entry into the EMU in 1999. For the past few years the SDP has attempted to lower Finland's high rate of unemployment and cut the budget deficit, while retaining the core of the welfare state.

Center Party (Keskusta): Formerly known as the Agrarian Party, the Center Party pursues the interests of rural and agricultural communities. The party was strongly divided over Finnish membership in the EU, as well as accession to the EMU. While the Center Party may have the widest geographical support in Finland, a challenge for the future will be attracting urban and suburban votes in southern Finland. Esko Aho, the party chair, made a strong, but unsuccessful, bid for the presidency in the 2000 presidential elections. Aho took a one-year leave of absence in 2000-2001 to lecture and study at Harvard University. Many observers consider the Center Party to be the truly "conservative" party, especially with respect to social issues.

Conservative Party (Kokoomus): The largely urban-based Conservative Party would not, by US standards, be termed "conservative". The party re-entered government in the 1980s after a twenty-two year hiatus, and in the most recent elections gained seven seats, the largest increase of any party. Under the leadership of its chairperson, Deputy PM and Finance Minister, Sauli Niinisto, the party has favored fiscal restraint, deregulation, and lower taxes. Niinisto resigned the party chairmanship in June, but remains Finance Minister. The new party leader, Ville Itala, is unlikely to take the party far from its fiscally responsible roots. However, like other major Finnish political parties, the Conservatives are supportive of the welfare state. The Conservative Party strongly supports Finnish EU membership and draws support from the business community, professionals, and the white-collar sector in general. Even though individual Conservative leaders and the party's youth organization have openly advocated Finnish NATO membership, the party backs the government's posture of nonalignment.

Left Alliance (Vasemmistoliitto): A conglomeration of Socialists, ex-Communists, and disenchanted Social Democrats, the Left Alliance also draws support from trade unions. A strong leftist tradition, combined with workers' concern that the Social Democrats are too centrist, helps maintain Left Alliance support. Dynamic young chairperson Suvi-Anne Siimes, elected in the spring of 1998, has attracted greatly needed young voters. Siimes' academic training as an economist and non-doctrinaire approach to politics have been important for her success individually, as well as for the success of the party in general. Cooperation with the Conservatives and Social Democrats within the Lipponen government has been difficult, however, mainly because of the hard-line faction that still exists in the Left Alliance.

Swedish People's Party (Svenska Folkpartiet/Ruotsalainen Kansanpuolue): The party draws its support from Finland's small Swedish speaking minority (around six percent). It is generally center-right in orientation and supportive of EU membership. The party has cooperated with both socialist and non-socialist governments in the past, using its swing vote to protect the interests of the Swedish speaking community. Prominent party officials have advocated Finnish NATO membership, although the

party has not officially adopted this stance. Among the supporters of NATO membership in SFP/RKP is Elisabeth Rehn, who came in second in the 1994 presidential elections and ran again in 2000, although without as much success.

Green League (Vihreäliitto): The first green party to serve in government in Europe, the Finnish Greens stress social and environmental issues. While they are staunchly opposed to the increased use of nuclear power in Finland, they take more moderate positions on issues such as forestry, taxation, and the welfare state. They have a strong appeal to young urban voters, especially women. The Greens are a progressive party. Nine of their eleven MPs are women, and they make up a disproportionately large bloc in the Finnish delegation to the European Parliament.

Establishing a Local Office

If a foreign organization intends to establish an office in Finland, the following steps should be followed:

- 1) Drafting the Memorandum of Association
 - 2) Drafting the Articles of Association
 - 3) Subscription of the shares
 - 4) Constituent meeting of the shareholders
 - 5) Adoption of the Articles of Association
 - 6) Payment of the capital share
 - 7) Registration of a limited company
- For further information, please contact the Employment and Economic Development Center and/or Invest in Finland Bureau.

Creating a Joint Venture

Several U.S. companies have established themselves in the Finnish market with subsidiaries or joint ventures, with particular interest in access to Finnish-Russian joint ventures. A number of Finnish firms are interested in using their long-established contacts in the former Soviet Union and the Baltic countries to market U.S. goods. Due to its physical proximity and Finland's network of rail road and air connections, there are many strong selling features regarding access to Russia. As a full member of the European Union, Finland has its feet firmly planted in the west but possesses unique access to and expertise about the Russian market.

Use of Agents and Distributors; Finding a Partner

One exclusive agent/distributor is usually appointed to cover the entire country, mainly due to the relatively small size of the Finnish market. Finnish importers often represent several different product lines. In selecting a representative, the exporter should check whether that company handles competing products. Consumer goods and similar merchandise requiring maintenance of stock are often imported through wholesalers or trading houses. Such products may also be sold directly to retail chains, department stores, and other retail outlets.

Contacting local trade associations for a list of importers is a good way of finding a distributor in Finland. Finnish importers also attend major trade fairs in Europe and in

the United States in order to find new products and ideas, but also to find new representation. The Commercial Section of the American Embassy also assists in finding agents/distributors for U.S. exporters through International Partner Search (IPS), Gold Key Service, and other networking activity.

Checking the Bona Fides of Banks, Agents, Business Partners, Contractors and Subs, and Customers

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Distribution and Sales Channels

Distribution channels in Finland are similar to those in the United States. Goods may be sold through an agent, distributor, established wholesaler, or selling directly to retail organizations. Most of the larger importers and wholesalers and trading houses are members of the Federation of Finnish Commerce and Trade (FFCT), which is a central organization for 40 trade associations covering the bulk of foreign goods sold to Finnish trade and industry. The members of FFCT are particularly strong in certain specialized sectors, such as electronics, electric components and instruments, pharmaceutical and health care products, technical products and machinery, raw materials and chemicals.

The majority of Finnish commission agents are members of the Finnish Foreign Trade Agents' Federation, which has 18 divisions for different products. These commission agents are relatively small, private companies, most of them operating in sectors such as textiles, apparel, furnishings, and raw materials.

Franchising

The total market for franchising in Finland was estimated at \$2.3 billion in 2000. According to a survey made by the Finnish Franchise Association (FFA), there are about 150 franchise chains in Finland of which about one-third are foreign owned. In 2000, the sales of franchising companies increased by 15 percent. Franchising has increased in popularity during the past few years, as investors better understand the business concept; e.g. franchising involves lower risks for companies expanding their operations. For more information on franchising see chapter 5: Leading Sectors for U.S. Exports and Investment.

Selling Factors/Techniques Best Suited to the Local Culture

Selling factors and techniques are very similar in Finland to those in the United States. Terms generally applied to international trade with industrialized countries apply to selling in Finland. When selling to the Finnish market, it is recommended that a local agent/distributor who has a sales network covering the whole of Finland be appointed. Only one local distributor is needed to cover the whole country since Finland is a small market, but distances are long and therefore a distributor with a countrywide network is most desirable. Consumer goods and similar merchandise requiring maintenance of stock are often imported through wholesalers or trading houses. These products can also be sold directly to retail chains, department stores and other retail outlets. U.S. suppliers should provide the local distributor with English language product literature and export prices. Strong promotion efforts are very important to introduce new products into the Finnish market.

Pricing and Licensing

Product Licensing agreements are quite common in Finland because of the good quality of Finnish manufacturing, the small size of the market and the relatively high cost of transporting goods to the country. Royalties and licensing fees may be freely transferred out of Finland.

All goods and services are subject to VAT, which ranges from 8 percent on books, drugs and pharmaceuticals, 17 percent on foodstuffs and feeds to 22 percent on industrial goods. Excise taxes are levied on fuel, electricity, alcohol, beer, tobacco, soft drinks and mineral water.

Finland is an EU (European Union) country. Imports from the other EU (European Union) countries enter Finland duty free and without custom's formalities. The EU has also free trade agreements with a large number of non-EU countries (e.g. countries that belong to the PAN-European cumulation and EFTA (European Free Trade Association) countries. Imports from these countries enter Finland duty free if the products have been manufactured in one of these countries.

However, import duties are levied on imports from countries such as the United States, Australia, Japan and Canada depending on specific product lines.

Advertising

About \$1.0 billion was spent on advertising in the Finnish mass media in 2000. Newspapers account for 58 percent of all media advertising, television 20 percent, periodicals 17 percent, radio 4 percent and Internet 1 percent. The advertising value of Internet advertising is increasing. All media in Finland is open for advertising.

There are two different acts concerning marketing, the Consumer Protection Act and the Act on Unfair Business Practice. Advertising is controlled by the Consumer Ombudsman and the Marketing Court. The general rule is that advertisements may not contain claims which cannot be substantiated or which are offensive to minorities (race, sex, etc.). There are also restrictions concerning the use of children in advertising. Advertising of tobacco products and spirits is completely prohibited in Finland's mass

media. However, advertising of beer, wines, and low alcohol level beverages has been allowed since 1995.

Major Newspapers:

Helsingin Sanomat
P.O. Box 77
FIN-00089 Sanomat, Finland
Tel: 358-9-1221, fax: 358-9-605 709 9579

Aamulehti
Pieni Roobertinkatu 11 A
FIN-00130 Helsinki, Finland
Tel: 358-9-853 9560, fax: 358-9-853

Business Magazines/Journals:

Kauppalehti (Business daily)
P.O.Box 189
FIN-00101 Helsinki, Finland
Tel: 358-9-507 81, fax: 358-9-660 383

Taloussanomat (Business daily)
P.O. Box 35
FIN-00089 Sanomat, Finland
Tel: 358-9-1221
Fax: 358-9-122 4179

Talouselama (Business weekly)
P.O.Box 920
FIN-00101 Helsinki, Finland
Tel: 358-9-148 801
Fax: 358-9-685 6650

E-Commerce Websites:

SoneraPlaza
fi.soneraplaza.net

Elisa Communications
www.elisa.com

Jippii Group
www.jippii.fi

Trade Promotion

The main fair centers in Finland are located in the cities of Helsinki, Jyväskylä, Turku, Tampere and Lahti. In 2000, they had approximately 1.8 million visitors. For further information, please contact:

The Finnish Fair Corporation
P.O. Box 21
FIN-00521 Helsinki, Finland
Tel: 358-9-150 91

Jyväskylä Fair Ltd.
P.O. Box 127
FIN-40101 Jyväskylä, Finland
Tel: 358-14-334 0000

Fax: 358-9-142 358
www.suomenmessut.fi

Fax: 358-14-610 272
www.jklfairs.com

Turku Fair Center Ltd.
P.O. Box 57
FIN-20201 Turku, Finland
Tel: 358-2-337 111
Fax: 358-2-2401 440
messukeskus.helou.net/messut/english

Lahti Fair Ltd.
P.O. Box 106
FIN-15141 Lahti, Finland
Tel: 358-3-525 820
Fax: 358-3-525 8225
www.lahdenmessut.fi

Tampere Trade Fairs Ltd.
P.O. Box 163
FIN-33201 Tampere, Finland
Tel: 358-3-2516 111
Fax: 358-3-2123 888
www.tampereenmessut.fi/html/indeng.html

Sales Service/Customer Support

As a rule, one exclusive agent/distributor is appointed to cover the entire country. Finnish importers often represent several different product lines. Importers may serve large customers themselves while dealers work with smaller customers, often located outside the Helsinki metropolitan area. Dealers are often specialized in supplying a specific industry area. Training, usually organized and carried out by dealers, is an important aspect. Service points should cover the whole country rather than just the southern parts.

Selling to the Government

Finnish procurement agencies follow the procurement procedures of the EU and the World Trade Organization (WTO). The EU rules of procurement and the WTO's GPA agreement only apply to procurements of or above the threshold value. National legislation requires procurement units to submit competitive tenders for procurements that fall below the threshold value. This is done by sending requests for tenders to a number of potential suppliers or by publishing an announcement.

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The main principles of procurement are that purchases should be made on an open and competitive basis, and that suppliers should be treated equally. The principle of openness stipulates that the procurement unit announces, on a sufficiently large scale, that it is making a purchase. The principle of equality and non-discrimination entails that the decision to buy must be made in accordance with established criteria. Of the offers received, the cheapest offer or the one which is the most affordable in terms of overall economy has to be selected. Information on threshold values (January 4, 2000 – December 31, 2001) at www.vn.fi/ktm/2/julha/english/etusivu.html.

Best Prospects for Non-Agricultural Goods and Services

1. Computer Software (CSF)
2. Franchising (FRA)
3. Computers and Peripherals (CPT)
4. Telecommunications Services
and Equipment (TES, TEL)
5. Travel and Tourism Services (TRA)
6. Medical Equipment (MED)
7. Aircraft and Parts (AIR)
8. Environmental Technologies (ENV)
9. Biotechnology (BTC)

Rank of sector: 1

Name of sector: **COMPUTER SOFTWARE (CSF)**

Narrative: Finland's high level of education and the independent mentality among software professionals seems to have created a good atmosphere for quality. Adoption of new methods and tools for software development is in most cases relatively easy in this country. Finland's software market was estimated at about \$875 million in 2000. The United States, with an import market share of about 90 percent, is the number one supplier of standard, non-customized application software. Competition for new-to-market computer software companies is strong and comes from previously established U.S. companies, such as Microsoft, Novell, Lotus etc.

The Finnish software industry is characterized by the following trends:

- Expanding focus and application areas beyond traditional ICT software market (convergence)
- Fast growing number of new start-up software companies
- Increasing role of Web-related software
- Fast growing role of embedded software
- Increase in software exports
- Consolidation of the software industry (mergers, acquisitions)
- Increase of mobile software

More than two out of three Finnish software companies develop and produce traditional ICT software. The international software vendors have, however, rapidly increased their shares in the Finnish market. This trend is expected to continue in the next five years, forcing the Finnish software houses to search other business opportunities that are based on utilization of the newest technologies.

In addition, Finnish companies have increased their activities in system and tools software segments. Examples of these kinds of products are Web-related infrastructure software packages and security software. Growth in these sectors is fueled by exports. IDC estimates that there are over 300 companies providing their own software products in Finland. Simultaneously, at least one hundred companies have products in development or in pilot phase. These estimates do not include companies only importing software, e.g. subsidiaries or distributors of international software vendors.

Due to changes in recent years in Russia and the Baltic countries, Finland also serves as an excellent gateway to these emerging markets.

Data Table – \$Millions	1999	2000	2001
A. Total market size	755	875	1,020
B. Local Production	400	480	575
C. Exports	125	155	185
D. Imports	480	550	630
E. Imports from the U.S.	335	385	440
F. Exchange rate: \$1=FIM 6.50			

Note: The above statistics are unofficial estimates

Rank of sector: 2
Name of sector: **FRANCHISING (FRA)**

Narrative: The total market for franchising in Finland was estimated at \$2.3 billion in 2000. According to a survey made by the Finnish Franchise Association, franchising sales increased by 15 percent in 1999. As a result there are about 150 franchise chains in Finland.

Local trade sources predict that the sales volume will increase at an annual rate of 15 percent. The increase is explained by expansion of franchising as a business concept - franchising involves lower risks for companies expanding their operations. The highest number of chains is in retailing and in services. However, the largest increase in sales volume is predicted for food and beverage franchising, which has expanded rapidly in Finland over the past few years. The fast food hamburger market is shared by three large operators, McDonald's, Hesburger and Carrols.

McDonald's market share is about 44 percent. Hesburger (32 percent) and Carrols (24 percent) are domestic franchise chains. These restaurants have been in Finland for

about 30 years. Besides the traditional hamburger (McDonald's) and pizza (Pizza Hut) chains, there are market opportunities for U.S. fast food restaurants such as salad bars, Tex-Mex food and coffee bars.

There are about a dozen U.S. franchise chains now operating in Finland: Avis, Budget, Esso Snack & Shop, Glass-Tech, Hertz, Homecare, Novus (car windows), McDonald's, PC-Super-Store, Mail Boxes Etc/IB Your Office and Pizza Hut. Many typical U.S. franchise operations are still unknown in Finland. In the coming years, the following franchise operations are expected to offer good possibilities in the Finnish market: print shops, all kinds of automotive services; tires, mufflers etc., dry cleaning, one hour photo shops and packaging stores.

The future for franchising in Finland looks promising. It is evident that franchising as a whole will increase during the coming years. This projection is based on statistics as well as recent positive economic developments.

Data Table – \$Millions	1999	2000	2001
A. Total market size	2,000	2,300	2,600
B. Local Production	1,300	1,500	1,700
C. Exports	0	0	0
D. Imports	700	800	900
E. Imports from the U.S.	500	550	600
F. Exchange rate: \$1=FIM 6.50			

Note: The above statistics are unofficial estimates.

Rank of sector: 3
Name of sector: **COMPUTERS AND PERIPHERALS (CPT)**

Finland's population of 5.1 million people comprises a highly sophisticated market for computer hardware and software. This is illustrated by the fact that Finland has the highest number of computers per capita connected to the Internet in the world. Presently, about 60 percent of Finnish homes have computers and about 60 percent of the population have access to the Internet either at home, at work, or through a local institution, such as a library.

Finland's total market for computers was estimated at \$980 million in 2000. The United States is Finland's leading external source of computers and peripherals. There are about 4,200 local computer companies in Finland. 3,700 companies have less than five employees and the five largest companies cover about 60 percent of the industry sector's sales volume.

Manufacture of computers and displays, which was still a strongly growing sector in the middle of the 1990's has nearly ceased in Finland. Fujitsu ICL Computers Oy (owned by British ICL) dominated domestic production of microcomputers until March 2000

when the production plant was closed and the operations were moved to ICL's factory located in Germany.

Reflecting the global development, also the Finnish ICT hardware business is under strong transition and restructuring. The declining share of hardware sales and the strong price erosion have accelerated the consolidation worldwide. This trend has already resulted in fewer larger players in the Finnish hardware market. Almost all traditional hardware vendors have repositioned themselves as service vendors, and only a few companies can be considered as hardware vendors. Simultaneously, the Internet is increasingly reshaping the distribution of computer products.

During the next five years, multi-user system market is expected to experience faster growth than PC and workstation marketplaces. Simultaneously, especially PCs are expected to meet fast growing competition from other Internet appliances, including different types of mobile and wireless alternatives.

Consumer purchases represent a tenth of the total ICT hardware spending in Finland. At the moment, the majority of consumer purchases are PCs. During the next years the consumer spending is expected to increase rapidly in hardware and services beyond the current ICT market, e.g. new types of Internet devices, digital TV sets and related services. Demand for computers and peripherals in Russia and the Baltic countries is expected to provide distributors in Finland with excellent future market potential.

Data Table – \$Millions	1999	2000	2001
A. Total market size	1,000	980	955
B. Local Production	480	360	125
C. Exports	380	300	90
D. Imports	900	920	920
E. Imports from the U.S.	145 *	150*	175*
F. Exchange rate: \$1=FIM 6.50			

Note: The above statistics on computer imports/exports were obtained from the Board of Customs, Bureau of Statistics. The figures do not contain peripherals.

* U.S. imports are much higher due to the fact that a lot of U.S. computer hardware is exported from the plants located in the EU countries.

Rank of sector: 4
Name of sector: **TELECOMMUNICATIONS SERVICES AND EQUIPMENT
(TEL, TES)**

Narrative: Finland's telecommunications market is one of the most developed in Europe and arguably one of the most developed anywhere in the world. In Finland, telecommunications operations have been opened up gradually to competition since 1985. The liberalization process has not been as difficult as in many other countries

because a part of the telecommunications operators have always been privately owned.

The Finnish government has invested substantially in training and education, especially in the field of information technology in order to meet the needs of the country's fast growing ICT industry.

The fact that Finland was among the first to open its telecommunications market has resulted in one of the lowest tariffs today. Both the volume of telephone lines and the volume of telephones are among the densest in the world. The Finnish telephone network is a hundred percent digital with extensive use of intelligent network (IN) technology. Finland is presently the world's largest user of mobile telephones (75 percent penetration – April, 2001). In December 1998, Finland became the first country in the world where the number of mobile phones exceeded the wired phones. The use of mobile phones has extended to other areas than just speech. Short text messages are very popular, especially among the young people. The operators provide news and entertainment services through text messages that enable the supply of information directly to a personal mobile phone. Finland was the first country in Europe to grant licenses for third-generation mobile networks in March 1999 and has the highest number of computers connected to the Internet per capita in the world.

One striking aspect of Finnish life is how seamlessly information technology has been integrated into production, work and home life. Banks, schools, libraries and hospitals exist virtually as well as physically. Thanks to the early acceptance of strong encryption, E-business has developed briskly and reliably. Several of the world's top Internet security companies are based in Finland. Online banking is so well established that individuals engaging in traditional banking are the clear minority.

There are two key players in Finland's telecom services: the state-owned Sonera Corporation (previously Telecom Finland) and the 46 privately owned local telephone companies operating under the Finnet Group. Both Sonera Corporation and the private telecom companies have subsidiaries and sister companies, which are involved in the provision of data, mobile and advanced technology services. There are also a number of secondary companies, strongest being Telia Finland Oy, owned by Swedish state-controlled Telia. Among other network operators in Finland are Global One Communications Ltd, Teleykkonen Ltd., Jippii Group and U.S. RSL COM Finland Ltd, which provide network and other services for their contracting customers.

Headquartered in Finland, Nokia is the world leader in wireless and wireline telecommunications, the world's leading mobile phone supplier as well as top supplier of fixed telecom networks and services. Nokia's 2000 sales volume was \$27.9 billion. The company has manufacturing on three continents in over 10 countries, research and development centers in 15 countries and employs more than 60,000 people worldwide.

A major factor behind Finland's highly advanced telecommunications technology has been strong competition in Finland's liberal telecommunications market, especially between the service providers. This has had a beneficial impact on telecommunications' know-how, in terms of the variety of telecommunications services available. Due to high technical standards and the liberal telecommunications market, Finland also serves as an excellent test market for development of new services. Companies, such as Hewlett-Packard, Lotus, ICL, Siemens and Razorfish have chosen

to locate their wireless Internet development in Finland. These companies are forging new strategic partnerships with Finnish companies to ensure a wireless future.

U.S. companies wishing to enter the Baltic markets and Russia (especially St. Petersburg) should view Finland as a natural gateway and Finnish companies as experienced partners in any such effort.

Telecommunications Equipment

Data Table – \$Millions	1999	2000	2001
A. Total market size	6,215	6,585	7,000
B. Local Production	11,500	12,075	12,700
C. Exports	5,885	6,180	6,490
D. Imports	600	690	790
E. Imports from the U.S.	60	70	80
F. Exchange rate: \$1=FIM 6.50			

Note: The above statistics are unofficial estimates.

Rank of sector: 5
Name of sector: **TRAVEL AND TOURISM SERVICES (TRA)**

Due to both the strong Finnish economy and an increasing interest in travel, the number of Finns traveling abroad has increased. Finns favor long-haul travel and Mediterranean destinations. The majority of Finns traveling abroad favor sun and sand followed by city destinations. The most active travelers are from the capital area, in the age group 45-64, well educated and belong to the upper middle class.

The United States continues to be the main long-haul destination for Finns. In 2000, over 93,600 Finns traveled to the United States, a 3.3 percent increase from 1999. New York, Florida and California continue to be the best prospects for the U.S. travel industry. First time travelers, families with children, and senior citizens favor Florida, whereas younger people and experienced travelers favor the West Coast.

Although Finns generally favor sun and sand and city destinations, a growing number of travelers are looking for activity holidays. Local culture, golf, fishing, diving, sailing, skiing and many other activities have become important for Finns when traveling abroad. Therefore, Finns have shown interest in other destinations such as Alaska, Arizona, Hawaii, Nevada, and New Mexico.

Business travel to the United States has been increasing at the average rate of 15-20 percent during the last few years. New York, Chicago, Boston, Los Angeles and Atlanta are the most important destinations for Finnish business people. According to statistics Finland, Finns made over 53,000 business trips to the United States in 2000.

Finnair, the national air carrier is the only airline based in and operating flights from Finland to the United States. Finnair has daily non-stop flight service to New York's JFK

and a marketing agreement including code-share with American Airlines. Among the U.S. air carriers, Delta Air Lines has a sales office in Finland, America West and Continental have a representative. Northwest Airlines is represented by KLM; American is represented through a sales office in Stockholm, Sweden.

There are no restrictions on the Finnish foreign travel. From October 1, 1991, Finland has been included in the visa waiver pilot program for visits up to 90 days in length.

Data Table –	1999	2000	2001
\$Millions			
A. Total Travel	3,487	3,705	3,927
B. Domestic travel	3,923	4,119	4,325
C. Incoming travel*	1,311	1,398	1,468
D. Foreign travel*	1,747	1,812	1,866
E. Travel to the U.S.*	85	95	103
F. Exchange rate:			
\$1=FIM 6.50			

* Source: Statistics Finland, Balance of Payments (travel), Preliminary Information. Domestic travel and 2001 figures are unofficial estimates.

Rank of sector: 6
Name of sector: **MEDICAL EQUIPMENT (MED)**

Narrative: Due to continuous budget cuts, the operating costs of Finnish hospitals have been reduced and the major hospital procurement is mainly replacing older equipment and buying some new equipment, e.g. for radiology and tele-medicine equipment.

The United States continues to be the most important external supplier of medical equipment in Finland with an import market share of about 30 percent, followed by Germany, Sweden, Japan and The Netherlands, in respective order. High-quality and technically sophisticated medical equipment have the best market potential in Finland, especially equipment which increases efficiency and reduces occupancy rates in hospitals. Products such as patient monitoring systems, mini invasive surgery (MIS), day surgery equipment, magnetic resonance imaging (MRI) equipment, video endoscopes, digital image processing, and picture archiving have the best sales potential in Finland. Medical trade is duty free within the EU. Import duties are collected from production coming from non-EU countries. The duty fluctuates significantly according to the specific product, ranging from 5-12 percent for medical equipment.

Local production was about \$1 billion in 2000, consisting mainly of dental equipment, anesthesia monitors, specialized x-ray equipment, and chemical analyzers. Local production and imports do not overlap, as they do not compete with each other. Over 80 percent of local production is exported because of the small domestic market size.

Data Table –	1999	2000	2001
\$Millions			
A. Total market size	810	1,164	1,257

B. Local Production*	985	1,000	1,080
C. Exports	378	404	436
D. Imports	203	240	268
E. Imports from the U.S.	53	63	70
F. Exchange rate:			
\$1=FIM 6.50			

Source: The Association for Finnish Healthcare Industries and Finnish Customs.

*Includes In Vitro Diagnostics equipment. The year 2001 figures are unofficial estimates.

Rank of sector: 7
Name of sector: **AIRCRAFT AND PARTS (AIR)**

Narrative: The United States is the most important supplier of aircraft and parts in Finland with an import market share of over 65 percent. The U.S. share is based on Boeing's (McDonnell Douglas) market position in Finland both in civil and military aviation.

The civilian market for aircraft and parts is dominated by the Finnair group, the national airline. The Finnair fleet as of 2001 consisted of 58 aircraft of which 36 were Boeing (McDonnell Douglas) planes. The average age of Finnair's aircraft is 10.9 years. Finnair is going to replace its medium-range fleet of DC-9's and MD-80's with the Airbus 320 series, as the new aircraft type for its European traffic. Ten ordered aircraft of the Airbus A320 family, will be delivered to Finnair between May 2001 and February 2003. Two Boeing B757 aircraft will be leased for the leisure traffic to substitute the MD-11 aircraft, which will be used in scheduled long-haul traffic. Finnair has also bought five Boeing 757's for holiday traffic between Finland and the Mediterranean destinations.

Boeing sold 64 F/A-18 fighters to the Finnish Air Force in the 1990's. The value of the Hornet purchase was \$3.35 billion during 1995 - 2000. Seven Hornet trainers were delivered by Boeing (McDonnell Douglas). Fifty-seven fighters were partly assembled in Finland by Finavitec as part of the offset program during 1996 – 2000. The program was completed in 2000.

In 2000, there were a total of 1,317 aircraft in Finland: 635 airplanes, 367 gliders, 83 helicopters and about 232 other light airplanes. Demand for small aircraft, such as air taxis, air ambulances and service planes will continue in the future.

Data Table – \$Millions	1999	2000	2001
A. Total market size	875	618	650
B. Local Production	205	260	200
C. Exports	30	100	50
D. Imports	700	458	500
E. Imports from the U.S.	300	245	250
F. Exchange rate:			

\$1=FIM 6.50

Note: The above statistics are unofficial estimates.

Rank of sector: 8

Name of sector: **ENVIRONMENTAL TECHNOLOGIES (ENV)**

Narrative: Environmental technology itself has become an area of high-tech production in Finland. Finland has also helped its eastern neighbors to solve their environmental problems by using technology transfer. Both individuals and the industrial management are highly conscious of environmental protection and preservation of the present high standard. In Finland, the requirement for best available technology is included in the Water Act, Air Pollution Control Act, Waste Act and Sea Protection Act.

Demand for air pollution control equipment is strong in Finland due to the increasing environmental concerns in the surrounding areas (i.e. the Kola Peninsula, St. Petersburg and the Baltic countries). The pulp and paper industry represents 26 percent of Finland's exports, and is the main end-user of air-pollution control equipment. Finland encourages development of environmentally friendly products. Given the U.S. reputation for providing top-quality air-pollution control equipment, their products are in strong demand in Finland.

There is support for developing new environmental technology in Finland. Finland grants subsidies and tax breaks for companies who buy or export Finnish pollution control equipment. The government has also funded technology centers such as TEKES (Technology Development Center) and VTT (Technical Research Center of Finland), which have established environmental departments for R&D of new pollution control technology. This is expected to contribute to increased local competition in the market.

Finland's membership in the European Union in the beginning of January, 1995, the 1994 Waste Act, amendments in 1997 and especially the Finnish National Waste Plan 2005 give positive indications that investments into solid-waste recycling equipment will increase. This in turn will offer foreign companies increasing business opportunities in the Finnish market.

The best sales prospects for U.S. companies are within recycling of solid waste from households and industry. Other best prospects include potential to supply equipment such as monitoring and measurement instruments for air pollution, sulfur and dioxide and nitrogen oxide emissions removal and protection technology, etc. as well as cooperation with Finnish companies in large projects. Another area for U.S. companies to look for is that of emerging markets of the Baltic countries and Russia, which are most easily accessed through Finland.

Data Table – \$Millions	1999	2000	2001
A. Total market size	1,460	1,535	1,560
B. Local Production	1,300	1,365	1,390

C. Exports	1,040	1,090	1,115
D. Imports	1,200	1,260	1,285
E. Imports from the U.S.	180	189	193
F. Exchange rate:			
\$1=FIM 6.50			

Note: The above statistics are unofficial estimates.

Rank of sector: 9
Name of sector: **BIOTECHNOLOGY (BTC)**

Biotechnology is an important and growing sector in the Finnish society and economy. The biotechnology industry is one of the most promising high-technology sectors. High-level research and know-how in the life sciences, advanced infrastructure, improved risk financing and relatively positive public attitude together provide a solid basis for development of Finland's biotechnology industry. Tens of hi-tech start-ups have been established in the last three years, and new ones are established monthly. Most of the new biotechnology companies are operating in medical and diagnostic fields or biomaterials, while others offer services in clinical research, patents and marketing analysis.

Finland's biotechnology industry ranks sixth in Europe. Ten percent of Europe's biotechnology companies are Finnish. There are over 110 biotechnology companies in the country today. Characteristic of a Finnish biotechnology company is that it is closely connected to universities, biocenters and technology centers. The main areas of strength are pharmaceuticals, biomaterials, diagnostics and industrial enzymes. The past has seen a dynamic bioscience industry spring up in and around Finland's universities and science parks. As a result of the Government's efforts to boost biotechnology in the nineties there are now some 180 research groups, 14 biotech graduate schools and several science parks and biocenters dedicated to biotechnology. Growth in research expenditures has accelerated in recent years. Public funding for research has increased substantially, while the contribution of the private sector has grown even faster, now accounting for 70 percent of the total value.

International research cooperation and participation in joint research projects has made Finnish know-how well known and increased the interest of European and American companies and investors in Finnish biotechnology research. A substantial number of new biotechnology companies are collaborating with large international companies. Many international companies have established a business in Finland – companies such as Schering, Perkin Elmer and Thermo Electron.

Note: No statistics available.

Best Prospects for Agricultural Products

Finland's geographical proximity and long-established connections to the Baltic States and Russia offers an ideal business base in Northern Europe. The impressive progress in structural reforms and the market economy development in the Baltics, along with

the development of the Russian market place, have generated increased demand for consumer goods, agribusiness, food-industry investments and tourism. Thus, Finland's access to the rapidly emerging adjacent markets is vital for firms interested in this region for trade development.

Consumer-Oriented Agricultural Products - USD Millions

Data Table – \$Millions	1999	2000	2001
A. Total Consumption	10,000	11,900	12,000
B. Local Production	10,070	12,041	12,100
C. Exports	616	812	900
D. Imports	1,460	1,805	1,900
E. Imports from the U.S.	30	32	34
F. Exchange rate: \$1=FIM 6.50			

Note: The above statistics are unofficial estimates.

High Priority: - Beverages: wine, beer; Snack foods: health snacks, dried fruits and nuts, corn chips; Ethnic foods; Organic foods; Health and Diet foods; Convenience foods: frozen juices, TexMex items, sauces/seasonings; Preserved: Canned fruits and vegetables; Frozen ready-made foods.

Medium Priority: - Fresh fruits/vegetables: apples, pears, grapes, cherries, avocados; Food grains: rice; Convenience foods: microwavable items like popcorn; Seafood: salmon, frozen crayfish, whitefish roe; Pet food for dogs and cats.

For current data on agricultural trade prospects with Finland, the reader is referred to the following Internet Web site: www.usemb.se/Agriculture. This site is maintained by the USDA office in Stockholm, which has regional responsibility for Sweden, Finland, Norway, Latvia and Estonia. Its content includes an analytical overview of agricultural marketing opportunities and reports, marketing activities of possible interest to U.S. firms, an array of exporter/importer services and links to sites containing a detailed current breakdown of individual country imports/exports of agricultural products subdivided into several product categories (bulk, intermediate, consumer-oriented, forestry and fishery).

Membership in Free Trade Arrangements

Finland joined the EU on January 1, 1995, which means that Finland complies with trade agreements that the EU has made with third countries. Finland is also a member of the European Free Trade Association and the European Economic Area.

Tariff and Non-Tariff Barriers

Finland's adoption of EU internal market practices in 1995 defines Finland's trade relations both inside the EU and with non-EU countries.

Finland replaced its turnover tax with a value-added tax in June 1994. While the change has had little effect on overall revenues, several areas not previously taxed or taxed at a lower rate, including many corporate and consumer services and construction, are now subject to the new VAT in conformity with EU practices. The government has kept the basic VAT rate at the same level as the old turnover tax, which is 22 percent. Food products are taxed at 17 percent. Sport facilities usage, medicines, books, cinemas, passenger transport services, hotel and other accommodation, entertainment performances, sporting events, zoos, museums, and other such events or institutions are taxed at 8 percent. Other services, including health care, education, insurance, newspaper & periodical subscriptions and rentals are not subject to VAT. Agricultural and forestry products continue to be subject to different forms of taxation outside the VAT. A uniform tax rate of 28 percent on capital gains took effect in 1996, which includes dividends, rental income, insurance, savings, forestry income, and corporate profits. Tax rate on capital income and corporate income was raised from 28 percent to 29 percent from the beginning of year 2000.

In March 1997, EU commitments required the establishment of a tax border between the autonomously governed, but territorially Finnish, Åland Islands and the rest of Finland. As a result, the trade of goods and services between the rest of Finland and Åland Islands is now treated as if it were trade with a non-EU area. Even though the Åland islands are part of the EU, just as Finland is, Åland does not belong to the Union's tax area. This exception was drafted in order to protect the important shipping traffic and the tax-free sales when EU countries abandoned duty-free sales. The trade effect of this treatment is minimal since the Åland Islands are part of EFTA tariff area.

Finland has also introduced EU practices on imports of agricultural products. Some agricultural goods are subject to the standard import-licensing system, EU-wide quotas, import taxes or other provisions. Finland, along with other new members, is permitted to take measures, accepted by the EU, to shelter its agriculture or foodstuff sector during a limited transition period. In a temporary exception to general EU procedure, Finland may impose higher tariffs than the EU level on the following items: footwear, rubber, plastic, metals, raw hides & skins and some electric machinery. The transition period ended in 1998. As of July 1, 1996 higher tariffs on textiles, clothing and headgear were abolished.

In mid-1996 the Finnish government's inter-ministerial licensing authority began, within the EU, selectively to oppose American company applications for commercialization of genetically modified organisms (GMOs) such as insect resistant corn. Finland's attitude towards biotechnology is markedly more open than in many other EU Member States and Embassy Helsinki has been working actively with Finnish partners to distribute accurate and scientific information on this issue.

Tariff Rates

Duties and other import taxes are levied on the customs value of the goods at the point of importation. The customs value is based on the transaction value of the goods imported. In practice, the C.I.F. value is commonly used as the customs value. To assess customs value, the place of importation must be indicated. In the case of sea

and air cargo, the place of importation is the unloading location. In surface transportation, it is the Customs Office at the frontier. The customs value is determined according to the GATT Valuation Agreement and the Community Customs Code (Council regulation 2913/92) and the Regulation Laying down Provisions for Implementation of the Customs Code (Commission regulation 2454/93).

Prohibited Imports

Finnish law prohibits the import of the following products:

- PCB and PCT chemicals used in transformers and condensers causing problem wastes
- Whale meat

Standards

Finland uses the metric system. Products for sale in Finland should be adapted to the metric system whenever possible. It is also highly recommended that U.S. products imported into Finland meet international or European standards. Examples of products where conformity to directives is mandatory are electric equipment, machines, toys, pressure vessels and personal protective equipment. In these cases CE-marking acquired in any EU/EEA country is also valid in Finland. There are several Notified Bodies in Finland participating in the CE-marking procedures.

The central body for standardization in Finland is the Finnish Standards Association (SFS). SFS and its standards writing bodies, the Finnish Electrotechnical Standards Association and Telecommunications Administration Center are members of the European standards organizations CEN, CENELEC and ETSI.

National SFS Standards are sold in Finland only by SFS. National ISO member bodies abroad handle distribution of SFS standards. SFS is the Finnish source for all international standards and drafts of the International Organization for Standardization (ISO), for European standards and drafts of CEN and for publications of ISO member bodies. SFS also distributes other foreign standards and technical regulations.

Export Controls

Finland is an active participant in all export control regimes, notably the Nuclear Suppliers Group (NSG), the NPT Exporters Committee (Zangger Committee), the Missile Technology Control Regime (MTCR), the Australia Group (AG) and the Wassenaar Arrangement (WA). Finland chaired the Zangger Committee in 1989-93 and the NSG in 1995-96 and is the chair of the MTCR until fall 2001.

A basic principle of Finland's export control policy is that there is no published or unpublished "black list" of undesired destinations except those subject to sanctions by the UN or the EU. All license applications are considered on a case-by-case basis, taking into account the information exchanged within the relevant export control regime.

Export Control Authorities

Ministry for Foreign Affairs is in charge of Finnish non-proliferation policy as well as the security and trade policy aspects of export controls.

Ministry of Trade and Industry is in charge of the national implementation of the European Union's system of export controls on dual-use goods. The Trade Department of the MTI is the authority granting export licenses for exports of dual-use goods. The MTI's Energy Department grants licenses for exports of nuclear materials, facilities and equipment.

Ministry of Defense is in charge of export licenses for exports of defense material (i.e. military goods and technologies).

The Ministry of the Interior is responsible for export and import licenses for non-military firearms and ammunition as well as for national implementation of the relevant EU directives.

Import Taxes and License Requirements

Finland follows the import-licensing procedures of the EU. Licenses can be applied for from the National Board of Customs. Certain agricultural products are subject to import duties and/or fees imposed in accordance with EU rules and regulations. Among the products subject to these duties and fees are cereals, flour, certain fats and oils, fish products, butter, cheese, eggs, poultry, meat, cattle and hogs. The transitional period that allowed Finland to maintain its stricter (than EU) import regulations on certain agricultural products (primarily meat and livestock) expired in 1998.

Customs Regulations and Contact Information

Customs duties are levied on goods imported to Finland. As a member of the EU, Finland is part of the EU-wide Customs Territory and applies EU Customs legislation.

You can consult Customs Information for customs related matters.

Suomen Tulli (Finnish Customs)
PL 512
FIN-00101 Helsinki, Finland
Tel: +358 9 614 3800
Fax: +358 9 614 3813

Temporary Goods Entry Requirements

Temporary exemption from duty can be granted, for instance, to the following:

- Goods intended for public displays at exhibitions and fairs
- Commercial samples
- Professional tools and equipment

If the goods are put to unauthorized use or are not exported within the prescribed time (maximum one-year) they must go through normal customs clearance and become liable for relevant duties and taxes.

In Finland, the ATA-Carnet, the international customs documentation for temporary duty-free admission is issued by the Chamber of Commerce. The ATA-Carnets are frequently used for temporary imports e.g. samples, exhibition materials, and professional equipment (laptop computers, software), and are valid for one year.

Special Import/Export Requirements and Certifications

Certain import/export items need to meet with special requirements and certifications set by the EU or national standards. These are mostly articles that might damage health, welfare or country's economy, or result in the spread of animal and plant diseases.

The following items, among others, are subject to restrictions:

- Foodstuffs, fodder and fertilizers, alcoholic beverages and other products containing alcohol, pharmaceuticals, narcotics and dangerous drugs, some chemicals, nuclear and radioactive substances, explosives, blade knives, firearms and ammunition, obscene publications, pressure vessels.

Labeling

Labeling and marking requirements in Finland are based on the Act on Product Safety, which was enacted in accordance with the EU Directive on general product safety. The following information should be included in retail packaging, or otherwise marked on the product (a sticker, label, etc.):

- Name of the product (indicating clearly the contents of the package)
- Name of the manufacturer or the name of the company that had the product manufactured
- Amount of contents (weight or volume of the contents to be specified, measures in metric system).

If warranted by safety considerations or economic security of the consumer, the following information should also be included on the retail packaging or otherwise clearly identified on the product: contents of the product, care instructions, operating instructions, and a warning of possible danger related to the use or disposal of the product.

Finland has precise labeling requirements for foodstuff. A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weight or volume, ingredients in descending order of weight, last recommended date of sale, and storage instructions if perishable or intended for infants. Mandatory information described above must be provided in Finnish and Swedish.

Free Trade Zones/Warehouses

Finland has one free port in Hanko. Hanko is located at the southernmost tip of the country. The port has a year-round railway-ferry link with Turku. In addition, there are 20 storage areas in other locations in the country. The duty free storage areas, which are usually run by municipal corporations, are available to domestic and foreign-owned

companies. Warehousing, assembly and manufacturing are allowed in these areas, with permission from the Board of Customs.

A.1. Openness to Foreign Investment

The Finnish Government maintains a favorable attitude toward direct foreign investment. In 1993, laws restricting foreign ownership were abolished to support the already commonly accepted liberal treatment of foreign investments in Finland. Because of liberalization, Finland's EU entry, the opening of former Soviet markets - creating opportunities for Finland to act as a gateway - and the economic recovery, foreign investment in Finland has accelerated in recent years.

Unlike many other countries, however, Finland does not "positively" discriminate in favor of foreign-owned firms by giving them tax holidays or other subsidies not available to other firms in the economy. Instead, Finland relies on "condition-providing policies" which means pursuing policies that offer all firms in the economy appropriate conditions and sufficient pools of advanced factors of production, including an educated labor force and well-functioning infrastructure.

There are some legal requirements for non-European Area residents (person or company) to conduct business in Finland. In certain areas involving specific safety or health hazards or financial risks, specific conditions must be met to conduct trade. These regulated forms of trade are governed by section 3 of the Trade Act as well as by specific legislation. A non-European Economic Area resident (person or company) operating in Finland must refer to the authorities to obtain a license or a notification when starting a business in the "regulated" forms of trade, including: banking and insurance, nuclear energy-related activities, mining, manufacturing and sale of medicinal substances, dangerous chemicals and explosives, private security services, travel agencies, restaurant and catering services. Supply of mandatory labor pension insurance and workers' compensation is possible only through a company established in Finland. This provision is designed to ensure compliance with social security legislation.

The Aland Islands are an exception to common Finnish practice. Based on international agreements dating from 1921, property ownership and the right to conduct business is limited to only those individuals with right of domicile in the Aland Islands.

The "Invest in Finland" Bureau operates within the government-sponsored Finpro (formerly Finnish Foreign Trade Association). Its purpose is to provide potential investors with detailed information on investing in Finland (www address: www.finpro.fi).

A.2. Conversion and Transfer Policies

Finland does not have any exchange controls. There are no restrictions on transferring investment capital or profits abroad in freely convertible currencies at a legal market rate. There is no limit on dividend distributions, as long as they correspond to a company's official earnings records. Foreign investors are not required to pay tax on capital gains or investment income derived from Finland. The stamp duty on

transactions conducted on the Stock Exchange and on the OTC market has been abolished.

The Bank of Finland compiles the country's balance of payments data in accordance with International Monetary Fund (IMF) standards. To this end, the main details of all single payment items exceeding FIM 50,000 (\$7,352) are to be submitted on a form either to the Finnish bank effecting the payment or directly to the Bank of Finland.

A.3. Expropriation and Compensation

Private property rights are well protected in Finland. There have been no cases of expropriation or nationalization since the Second World War.

A.4. Dispute Settlement

In 1969, Finland became a member of the International Center for the Settlement of Investment Disputes (ICSID). There is no record of any significant investment dispute in the last three decades.

A.5. Performance Requirements/Incentives

There are no performance requirements or commitments imposed on foreign investment in Finland. However, to conduct business in Finland, some residency requirements must be met to ensure that persons liable for the company's acts can be brought to courts if necessary.

At least half of the founders (natural or legal persons) of a company to be established in Finland must reside within the EEA. Otherwise, a special permit issued by the Ministry of Trade and Industry is needed. The residence requirement can, in most cases, be fulfilled by appointing a legal representative with residence in Finland to be in charge of the business. The nationality of the founder is thus irrelevant.

The extensively revised Companies Act came into force in September 1997. In line with common Western European practices, the law divides limited liability companies into public (Oyj) and private limited (Oy) companies. New financing instruments, such as capital loan and preference shares were made available to companies.

All companies registered in Finland have access to government assistance under special development programs. Foreign-owned companies are eligible for government incentives on an equal footing with Finnish-owned companies. Assistance and subsidies are granted by the Ministry of Trade and Industry (MTI) or other ministries depending on the field of business activity, the Technology Development Center (TEKES), the Parliament-managed venture capital fund, and the Finnish National Fund for Research and Development (SITRA). Companies operating in Finland have access to EU structural funds through national programs. EU funding may cover half the total costs of a program provided that the other half comes from national private and/or public sources.

Indirect and direct subsidies are provided in the form of tax benefits, loans, guarantees, cash grants, investment in equity, as well as in supply of expertise and employee training. Subsidies may be given for manufacturing, tourism and business services.

MTI provides subsidies for investments in the form of regional investment aid, aid for small businesses or development aid for small and medium size enterprises (SMEs) and aid for improvement of the operational environment of the undertaking. SITRA's corporate funding operations comprise venture capital, which is divided between seed funding and growth funding, fund investment and the commercialization of trading technology.

Firms established in development regions may receive subsidies for the transportation costs of products. MTI provides grants to promote internationalization. Aid for export promotion projects to be undertaken in EU/EEA territory is available only to SMEs as defined by EU/EEA state aid regulations. MTI grants energy subsidies to companies and organizations for investments promoting energy conservation and the use of domestic energy sources. To promote venture capital investments in Finnish SMEs, Finnvera grants venture capital guarantees.

A.6. Right to Private Ownership and Establishment

Private ownership and entrepreneurship is the norm in Finland. In most fields of business activity, participation by foreign companies or individuals is unrestricted. As the government pursues privatization of state-owned companies, both private and foreign participation is welcome except in some enterprises operating in sectors related to national security.

Competitive equality is the official standard applied to private enterprises in competition with public enterprises. Private companies do not face discrimination. With the end of the Restriction Act in January 1993, Finland removed most restrictions on foreign ownership of property in Finland. Restrictions, such as requirements to obtain permission of the local government in order to purchase a vacation home in Finland were abolished January 1, 2000, bringing Finland fully in line with EU norms.

A.7. Protection of Property Rights

The Finnish legal system protects property rights, including intellectual property, and Finland adheres to numerous international agreements concerning intellectual property. Finland has joined the most important copyright agreements. Patent rights are consistent with the international standards. In 1996, Finland joined the European Patent Convention (EPC). Finland is a member of WIPO, and participates primarily through its membership in the EU. The idea of protection of intellectual property is well developed.

Information on copying and copyright infringement is provided by several copyright holder interest organizations such as the Copyright Information and Anti-Piracy Center. The Business Software Alliance (BSA), a worldwide software anti-piracy organization, began operations in Finland in January 1994. According to a recent survey, the rate of software piracy in Finland (30 percent in 2000) is one of the lowest in Europe. According to BSA, retail software revenue lost to piracy amounted to \$46.5 million in 2000.

Finland has been a member of the Paris convention for the protection of industrial property since 1921, the Berne convention for the protection of literary and artistic

works since 1928 and the Rome international convention for the protection of performers, producers of phonograms and broadcasting organizations since 1983.

The Finnish Copyright Act, which traditionally also grants protection to authors, performing artists, record producers, broadcasting organizations and catalog producers, has been adjusted to comply with EU directives. As part of this harmonization, the period of copyright protection was extended from 50 years to 70 years. Protection for data base producers (currently a part of catalog producer rights) has been defined consistent with EU practice. National transition period procedures are defined in Parliament. The Finnish Copyright Act provides for sanctions ranging from fines to imprisonment for up to two years. Search and seizure are authorized in the case of criminal piracy, as is the forfeiture of financial gains. Computer software has been covered by the Copyright Act since 1991.

A.8. Transparency of the Regulatory System

The Trade Act, as well as specific legislation referred to in it, provides more detailed information on trade practices in Finland. Section V of the Trade Act names “regulated forms of trade” in which a non-EEA resident needs permission from the Ministry of Trade and Industry. Also, according to the Trade Act, everyone launching a business in Finland is obliged to submit a notice to the Trade Register, which is maintained by the National Board of Patents and Registration.

The Securities Market Act contains regulations on corporate disclosure procedures and requirements, responsibility for flagging share ownership, insider regulations and offenses, the issuing and marketing of securities, and trading. The law defines and takes into account new instruments, which have become common on financial markets, such as securities lending and repurchase agreements. Finnish legislation recognizes the same internationally common financial market contractual arrangements as legislation elsewhere in EU. Regulations concerning clearing of securities trades have been incorporated in the law since 1998. Clearing has become subject to licensing, and is supervised by the Financial Supervision Authority, which oversees the financial markets. The law defines the requirements of clearing parties and their mutual responsibilities. Clearing institutions are now subject to a minimum capital requirement of FIM 30 (\$ 5.7) million. The capital of a clearing member must be at least FIM 10 (\$1.9) million.

Finnish tax, labor, health and safety, and related laws and policies are largely neutral towards the efficient mobilization and allocation of investment. Finnish legislation does not normally influence regional distribution of investments except when specifically designed to do so, such as through regional incentive programs.

A.9. Efficient Capital Markets and Portfolio Investment

The continued strong performance of the Finnish economy and the strong financial results of Finnish companies have accelerated foreign investors' interest in shares of Finnish companies. At the end of 2000, foreign investors held 73.6 percent of the total market value and 40.5 percent of shares quoted on Helsinki Stock Exchange. Market capitalization at Helsinki Stock Exchange amounted to EUR 318 (\$293) billion at the end of 2000. When the securities markets were freed of exchange control at the start of 1991, foreigners were holding only FIM 5 (\$1.2) billion worth of Finnish shares.

Between 1991-1996, Finnish banks received support following the heavy losses from the deep recession. By October 1999, direct public aid to banks amounted to a net value of about FIM 39 (\$7.0) billion (support granted minus redemption). This amounted to nearly 6 percent of GDP for 1998. The most recent estimates suggest that the overall losses from the support to banks excluding interest expenses will total around FIM 33 (\$5.5) billion (just short 5 percent of GDP), taking into account forthcoming extra redemption and the expiration of remaining guarantees.

The aggregate operating profit of Finnish banks increased for the fifth year in a row, to about \$2.05 billion in 2000. The performance was based on reductions in costs and in credit and guarantee losses. Finnish banks' net income from financing operations rose from \$ 2.4 billion in 1999 to \$2.5 billion in 2000. Credit and guarantee losses continued to decrease in 2000; the banks booked FIM 392 (\$60.8) million in bad debts, when the figure for the previous year was over FIM 0.5 billion (\$ 77.5 million).

A.10. Political Violence

There have been no instances of political violence since the struggle for independence in 1918.

A.11. Corruption

Corruption in Finland is covered by the Criminal Code (R1 101/19.12.89) and provides for sanctions ranging from fines to imprisonment for up to four years, depending on the seriousness of the crime. Both giving and accepting a bribe is considered a criminal act under the Criminal Code. Money, jewelry, household and other equipment, special or low interest loans, trips etc. can be defined as bribes. Honorary titles and recommendations can be considered as bribes. A public servant, charged with accepting or giving a bribe, can be discharged if it is evident that he is unsuitable for his position. Companies in Finland may not deduct bribes paid abroad as export promotion expenses. Only a few persons are convicted of bribery each year in Finland. In June 2001, Transparency International organization (TI), an international organization combating corruption, ranked Finland first on their list of least corrupt countries in the world. Finland was given the index of 9.9 on TI's least corrupt country scale, which ranges from 0 to 10; it indicates that virtually no corruption is found in the country.

Finland is a signatory to the OECD Convention on Combating Bribery. The instruments of ratification of the convention were deposited in December 1998.

In January 1999, Finland signed the Convention on the Fight Against Corruption involving officials of the EC or officials of member states of the EU. Ratification of the Convention requires legal amendments in Finland. The Convention is presently being discussed by the Finnish parliamentary committee for constitutional law.

B. Bilateral Investment Agreements

Finland has concluded bilateral investment agreements with the following 37 countries: Albania, Argentina, Belarus, Bulgaria, Chile, China, the Czech Republic, Egypt, Estonia, Hungary, Indonesia, Kazakhstan, Kuwait, Latvia, Lithuania, Malaysia, Mexico, Oman, Peru, Philippines, Poland, Republic of Korea, Republic of Lebanon, Republic of

Moldova, Republic of Slovenia, Romania, Russia, Slovakia, South Africa, Sri Lanka, Tanzania, Thailand, Turkey, Ukraine, United Arab Emirates, Uzbekistan, and Vietnam.

In September 1989, Finland and the U.S. signed a convention (TIAS 12101) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital. The convention entered into force December 30, 1990.

C. OPIC and Other Investment Insurance Programs

In January 1996, OPIC and Finnvera (former Finnish Guarantee Board FGB) signed an agreement to encourage joint U.S. - Finnish private investments in Russia and the Baltic States. Under the agreement, OPIC and Finnvera will work together to enhance the development of joint ventures by promoting private investment, encouraging cooperative efforts in specific target sectors, and working jointly with appropriate authorities in the host country to promote foreign investment. OPIC is the U.S. Government agency that assists U.S. investors with project financing, political risk insurance, and privately managed equity investment funds in developing markets and emerging economies. Finnvera is a Finnish government-operated export credit guarantee agency.

The 1996 agreement was preceded, in 1992, by a Principles of Cooperation Agreement between OPIC and the Finnish Fund for Industrial Cooperation (Finnfund). The two organizations agreed to share information concerning opportunities for private investment, exchange knowledge of techniques for the encouragement and sustenance of investment, including approaches to risk mitigation and management, and encourage cooperative enterprises among their nationals to finance private investment in developing economies. The former Soviet Union and Eastern Europe were targeted as areas of focus. Finland has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1988.

D. Labor

The Finnish labor force is highly skilled and well educated. Of total employment of 2.34 million persons in 2000, 6 percent were employed in the primary sector, 27.5 percent in the secondary sector and 66.5 percent in the tertiary sector. Women make up 47.7 percent of the 2.71 million member work force (May 31, 2001). About 85 percent of the work force are organized.

Finland has suffered from high unemployment throughout the 1990s; unemployment during the recession peaked in early 1994 at 20 percent. Unemployed are granted compensation which, if linked to earnings, as has been the case for about 60 percent of unemployed, guarantees moderate income for a period up to 500 working days. Despite high unemployment levels, there is a shortage of skilled labor in some specialty sectors.

Although Finnish labor is relatively less expensive than during the late 1980s, labor costs are still high. Labor costs rose in Finland faster in the post-recession years of 1993 - 1995 than in competitor countries. In 2000 labor costs, i.e. the index of wages and salaries, grew by 3.8 percent. In 2001, the index of wage and salary earnings is

forecast to rise by an average of 4 percent; the hours worked will increase and the share of performance bonuses in the wage bill is expected to remain unchanged.

High costs have led much of Finnish industry to use laborsaving high technology whenever possible. High unemployment has made trade unions somewhat more open to discuss increased labor flexibility. Finland adheres to most ILO conventions; enforcement of worker rights is effective.

E. Foreign Trade Zones/Free Ports – See section trade regulations, customs, and standards.

F. Foreign Direct Investment Statistics

See www.bof.fi for statistical information

F.1. Capital Outflow Policy

No policies exist that govern the export of capital and outward direct investment. Holders of capital, Finnish and foreign, can move funds at will. Finnfund, the Finnish counterpart of OPIC, provides insurance and financing for investment in emerging markets and the Baltic Rim. (Web site: www.finnfund.fi)

F.2. Major Foreign Investors

The six largest foreign companies in Finland in terms of turnover (2000):

- Merita Bank, FIM 23.5 billion (\$3.6 billion)
Country of Origin: Sweden/Finland (Merita and Nordbanken merger)
Sector of operation: finance/investment

- Skanska, FIM 9.6 billion (\$1.5 billion)
Country of origin: Sweden
Sector of operation: Construction

- ABB, FIM 9 billion (\$1.4 billion)
Country of origin: Sweden/Switzerland
Sector of operation: Electronics

- Dynea, FIM 6.5 billion (\$ 1 billion)
Country of origin: Norway
Sector of operation: Industrial adhesives/coatings/oil field chemicals

- Teboil, FIM 5.7 billion (\$ 0.88 billion)
Country of origin: Russia
Sector of operation: Oil trade

- Kvaerner Masa-Yards, FIM 5.5 billion (\$ 0.85 billion)
Country of origin: Norway
Sector of operation: Shipbuilding

- There are about 160 U.S. subsidiaries in Finland. Tellabs and Hewlett-Packard were the largest U.S. companies in terms of turnover in 2000 (Tellabs: FIM 4.9 billion or \$ 759 million, and Hewlett-Packard: FIM 2.7 billion or \$ 418 million).

Host Country Contact Information for Investment Related Inquiries:

Invest in Finland Bureau
(See section U.S. and Country Contacts)

Bank of Finland
Statistics Desk
P.O. Box 160
FIN-00101 Helsinki
Finland
Tel: +358 9 183 2090
Fax: +358 9 183 2556

1. The Banking System

In the last few years, the Finnish banking system has undergone rapid change. The initial impetus for this process was the step-by-step deregulation of financial markets and capital movements in the 1980s as part of the overall financial integration in Europe. Then the recession in the early 1990s and a severe banking and financial sector crisis, aggravated by bad lending practices in the late 1980s, touched off a consolidation of excess banking capacity. Tighter competition ensued from Finland's EU entry, accelerating cost cutting in the sector. Financial consolidation has been accomplished by reducing personnel, closing branch offices and introducing modern banking technology.

The Finnish banking system is dominated by three major groups of deposit banks: Nordea (Merita Nordbanken, the result of the merger between Merita and Swedish Nordbanken, Danish Unidanmark and Norwegian Christiania Bank) as well as OKO Bank (the Cooperative Bank Group) and the Sampo Group (merger of the insurance company Sampo and the bank group Leonia in 2001). At the end of 2000, a total of 337 domestic banks were operating in Finland, eight of these being commercial banks, 246 co-operative banks part of the OKO bank group, 43 local co-operative banks and 40 savings banks. The market share of the three largest bank groups was 85 percent of all Euro deposits and 87 percent of all Euro lending. In addition to domestic banks, six foreign banks have branches in Finland: Credit Agricole Indosuez, Citibank International, Skandinaviska Enskilda Banken (SEB), Svenska Handelsbanken, Deutsche bank and Den Danske Banken. Six foreign credit institutions have representative offices in Finland.

Early in 2000, Finnish-Swedish MeritaNordbanken and the Danish Unidanmark agreed on a merger. The new bank group (Nordea) became the largest bank group in the Nordic countries and the total of its operating profit was EUR 2,435 million in 2000.

The merger of the second largest bank group in Finland, Leonia, and the insurance company Sampo, entered into force December 31, 2000. The new group was renamed Sampo Group.

Finland is a global leader in electronic banking. Finnish banks have been providing their corporate and retail customers with on-line services for nearly 25 years. Seven of the bank groups in Finland have between them over 1.8 million on-line bank subscriptions. New subscribers have been up to 10,000 a month in some banks. Finnish-Swedish-Danish banking giant MeritaNordbanken (Nordea) has an electronic banking service offering the widest range of financial services in the world and it is also one of world's biggest Internet banks. The Finnish OKO bank group was the first in the world to offer banking transaction services on the Internet in 1996.

Most of Finnish banks offer banking services through WAP (wireless application protocol). Customers are able to handle bank transfers, pay bills, ask for accounting info, send/receive customer mail, do shopping and even buy shares on the Finnish stock market using a WAP phone. The first bank in the world to offer WAP banking services was Merita Nordbanken. The service has been available since October 1999.

2. Foreign Exchange Controls Affecting Trade

All Finnish foreign exchange controls have been abolished.

3. General Availability of Financing

The Finnish financial market is typical of European countries where banks and financing institutions have the dominant role, although insurance institutions play a major role in credit supply. Insurance companies, through their management of compulsory insurance schemes of the public social security system, lend a substantial part of the money back to the companies that pay the compulsory premiums. Financing is also available through the stock exchange and the government's financing systems.

Today, there are about 35 venture capital companies in Finland. They can be divided into five main groups; publicly financed, private, regional, those tied to a bank and those tied to some large-scale enterprise.

4. How to Finance Exports/Methods of Payment

Government-owned companies or agencies provide financing and guarantees for exports. Depending on the nature of the goods exported and on the risks connected to trading partners, a portion of the export costs must be provided by the company in question. Finland prefers that, in subsidized export financing, (where Finland adheres to OECD principles), international arrangements be made with a minimum of government involvement. In addition to government activities, commercial banks provide financing, with guarantees when possible, for exports. The banks advise their customers on bank loans as well as on loans granted by other credit institutions.

5. Types of Available Export Financing and Insurance

Financing and guarantees for exports are provided for by the Sampo Group and Finnvera. Major Finnish government and other programs are detailed below.

Sampo - is Finland's first full service financial group, providing financial, investment and insurance services to its customers. The insurance company Sampo and the banking group Leonia merged at the beginning of 2001 to Sampo-Leonia and in April the name

was shortened to Sampo. Sampo provides medium- and long-term financing for the export of capital goods and services from Finland to markets throughout the world. Credit structures applied by Sampo bank in export and project finance transactions are divided into buyer-credit, credit line and project finance. Credits extended by Sampo can be divided to three major groups according to the level of official support; market-term credits, OECD term-export credits and concessional credits. Sampo has in-depth expertise in structuring, arranging and financing international projects especially in the following defined industry sectors; pulp and paper, energy and infrastructure, and telecommunications (www address: www.sampo.fi)

Finnfund - The Finnish Fund for Industrial Cooperation: Similar to the U.S. government-sponsored OPIC, Finnfund promotes investments in developing countries. Finnfund acts as an agent in Finland for EU programs for the financing of investment in emerging continents. Finnfund provides equity capital as well as long-term investment loans and also participates in guarantee arrangements. In addition to financing, the corporation offers a broad range of fund-management and advisory services. Finnfund is owned by the State of Finland, Finnvera, the Confederation of Finnish Industry and Employers, and the state-owned company Solidium (web site: www.finnfund.fi).

NIB - Nordic Investment Bank: NIB is a multilateral financial institution owned by the five Nordic countries. Its head office is located in Helsinki. NIB extends loans and provides guarantees on normal banking terms for export and investment projects in line with Nordic interests. Loans and guarantees are given to investments that assure energy supply, improve infrastructure or support research and development. The core of NIB's international lending consists of project investment loans, which are granted to projects with Nordic participation, usually with a government guarantee. Outside the Nordic area, NIB finances a variety of international projects, both in emerging market and the OECD countries. The bank extends credits for projects supporting economic development in the Nordic countries' neighboring areas and for investments in parts of the world, which are of mutual interest to the recipient country and the Nordic countries. (Web site: www.nib.fi).

Finnvera - Finnvera is a specialized finance company promoting Finnish exports by offering export-credit guarantees and supporting domestic operations of small and medium-sized companies by offering risk financing and guarantees. Owned entirely by the Finnish State, Finnvera was formed by merging the activities of Kera Corporation and the Finnish Guarantee Board (FGB) on January 1, 1999. Finnvera's domestic development and financing solutions are particularly geared towards small and medium-sized companies, and thus Finnvera also helps to promote the government's regional-policy objectives. Finnvera is the official Finnish export-credit agency (ECA) providing export guarantees and insurance. Finnvera also acts as an Intermediary for financing by the EU Joint European Venture Initiative (JEV) and by the European Investment Fund. It is involved in cooperation in the OECD, EU and Berne Union. It represents Finland at meetings of the Paris Club and works in cooperation with the European Mutual Guarantee Association (EMGA). Finnvera's export credit guarantee and insurance commitments are fully guaranteed by the state of Finland (web site: www.finnvera.fi).

SITRA and TEKES: SITRA (the Finnish National Fund for Research and Development) and TEKES (the Technology Development Center) are public financing institutions with the purpose of strengthening the role of research in economic life and promoting new

products with the aim of introducing internationally competitive high-technology products and production methods. SITRA makes equity-related investments in high-tech companies during their start up and growth stages and finances management buy-outs and spin-offs from large and medium-sized companies (corporate venturing) and the corporation of these new businesses. It is a shareholder in about one hundred different technology enterprises. TEKES stimulates and coordinates research and development projects between Finnish companies, universities and research institutes and their foreign counterparts. Activities should diversify production structures, increase production and exports, and create a foundation for employment and well being (web site: www.sitra.fi & www.tekes.fi)

Ministry of Trade and Industry: The ministry and its regional Employment and Economic Development centers offer subsidies for investment in the form of regional investment aid, aid for small businesses or development aid for small and medium-size enterprises (SMEs). Special investment and start-up aid is available for small companies in the whole country, especially in rural areas and structural adjustment areas. This subsidy can be up to 45 percent of the investment in development areas and up to 15 percent elsewhere in the country. SMEs can obtain special development aid for improving their competitiveness in the long run or operations increasing internationalization. The ceiling of aid for product development projects is 35 percent which, however, can be exceeded by 5 percentage points inside the development area. (Web site: www.ktm.fi)

6. Project Financing Available

Sampo Group and Finnfund provide financing for overseas projects. Participation of third-country firms in projects is possible. The Nordic Investment Bank (NIB) can help finance projects presenting adequate security and good classification, both within and outside the Nordic area.

7. Banks with Correspondent U.S. Banking Arrangements

All principal Finnish banks have extensive correspondent relationships with U.S. banks, maintaining relationships with banks in every state as well as with all of the larger financial center banks. Further information on correspondent relationships can be obtained from the Finnish Bankers' Association, P.O. Box 1009, FIN-00101 Helsinki; Tel: 358-9-4056 120, fax: 358-9-40561-291(web site: www.pankkiyhdistys.fi).

Business Customs

Finland is a modern, commercially mature country that enjoys close relations with its Nordic neighbors. Social and business protocol is similar to that in the United States and requires no special mentions of taboos. It is worth noting that relationships are important within the social and business world as Finns prefer to deal with people they know and trust.

Visa Requirements and Business Mobility Generally

With the exception of Nordic (Sweden, Norway, Denmark, Iceland) citizens, citizens of EU countries (except Greece), and citizens of Switzerland, San Marino and Liechtenstein, foreigners entering Finland must have a valid passport. A tourist or

business visa is not required for stays of up to three months. For non-EU citizens a visa is needed for stays exceeding 90 days. Visa applications should be submitted to a Finnish diplomatic mission before entry into Finland.

A foreigner needs a residence permit in order to stay in Finland for a longer period of time. However, residence permits are also needed for short stays of less than three months if the purpose of the stay is to work in Finland. Residence permits require either a valid passport or a travel document. Foreigners must have work permits if they intend to work in Finland. Exceptions are citizens of the Nordic countries or citizens of EU/EEA countries. EU-citizens outside the Nordic countries need to apply for an EEA-card from the local police for stays exceeding 90 days. An EEA-card is a combined work and residence permit. For more travel information please go to www.travel.state.gov

Holidays

The national holidays in 2002 are: New Year's Day (January 1); Epiphany (January 6); Good Friday (March 29); Easter (March 31 – April 1); May Day (May 1); Ascension Day (May 9); Mid-Summer (June 22); All Saints' Day (November 2); Independence Day (December 6); Christmas (December 25-26).

Workweek

The average Finnish workweek is 40 hours per week, with annual leave of 25 days, 12.5 free days, and 9 paid holidays. Part-time employment averages to 17.8 hours per week.

Business Infrastructure

Transportation and communications - see section Economic Trends and Outlook - Infrastructure

Language

The two official languages in Finland are Finnish and Swedish. About 92.5 percent of the population speak Finnish and 5.6 percent speak Swedish. Both languages are compulsory at school. English is widely spoken in Finland, especially among younger people and in major cities.

Education

Finland invests more in education than the EU countries on average. All children aged 7-15 – even handicapped – attend school in Finland.

Comprehensive school is a nine-year compulsory general schooling for all children aged 7-16. The municipalities pay teachers' salaries, books, health care, and school meals. After completing comprehensive school, students may attend high schools for three years or receive vocational education. High school prepares students for university studies. Tuition at universities is minimal.

Helsinki has international, English, German, Russian, French, and Jewish schools in which classes are taught partly in foreign languages and partly in Finnish. The

International, English, German and Jewish schools are private and charge tuition. University level education is mainly in Finnish, with exception of English language BBA and MBA programs in certain universities and polytechnics.

Medical Services

Medical facilities are widely available. The public hospital system will not honor foreign credit cards and/or U.S. insurance coverage. However, private hospitals and clinics that accept major credit cards are widely available. Travelers have found that, in some cases, a letter from their carrier describing supplemental medical insurance with specific overseas coverage has proved useful.

A foreigner is usually covered by the Finnish social security after moving to Finland, with health care as one of the benefits. Services are provided within each municipality. The quality of public health care is equivalent to care given by private doctors. In addition, the employers subsidize occupational health care.

Housing

Most people in Finland own their own housing. The cost to rent an apartment varies depending on the size, age, condition and location. Rents are generally quite high, especially within the Helsinki area, and most places come unfurnished.

Food

Despite prices converging with other EU levels, Finland's price structure regarding food and household needs is the lowest of the Nordic countries and only slightly above the OECD average. Finnish food is consistent to produce that is in season, which provides an array of berries, mushrooms, seafood etc. Potatoes are a main staple and accompany most evening dishes.

Temporary Entry of Goods - see section Trade Regulations, Customs, and Standards

Contact Information

The Commercial Service staff in Helsinki provides several services for U.S. companies interested in doing business in Finland or using Finland as a gateway to Russia and the Baltic countries, especially Estonia. Please contact us at the following address to set up an appointment prior to your visit to Finland:

Commercial Service Helsinki
American Embassy
It. Puistotie 14 B
FIN-00140 Helsinki, Finland
Tel: (358-9) 171 931
Fax: (358-9) 635 332
E-mail: Helsinki.Office.Box@mail.doc.gov

APPENDIX 1: Country Data

Population: 5.160.000
Population growth rate: 0.3%
Religion(s): Lutheran 85.6%, Orthodox 1.1%, no denomination 12.3%, other 1.0%
Government system: Republic
Language(s): Finnish 92.61%, Swedish 5.68%, Russian 0.45%, other 1.22%
Work week: 38.2 (employed full time); 17.8 (part time employees)

APPENDIX 2: Domestic Economy

Domestic Economy (USD millions, except as noted):

Data Table – \$Millions	1999	2000 (P)	2001 (F)
GDP	111,080	120,780	128,300
GDP growth rate percent	4.2	5.7	3.7
GDP per capita	21,480	23,310	24,720
Government spending as % of GDP	51.8	48.4	47.5
(public expenditure)			
Inflation percent	1.2	3.4	2.5
Unemployment percent	10.2	9.8	8.9
Foreign exchange reserves	8,415	8,935	8,359*
Debt service ratio (ratio of principal and interest on foreign debt to foreign income)	N/A	N/A	N/A
U.S. economic/military assistance	N/A	N/A	N/A
Exchange rate:			
\$1=FIM 6.50			

P = provisional, F = forecast, * = May 31, 2001

Sources: Statistics Finland, the Ministry of Finance, and the Bank of Finland

Sources: Board of Customs, Bureau of Statistics, Confederation of Finnish Industry and Employers (TT), Ministry of Finance.

APPENDIX 3: Trade Statistics

Data Table – \$Millions	1999	2000	2001
Total country exports	41,694	45,455	49,590
Total country imports	31,520	33,770	37,045
Export to U.S.	3,290	3,382	3,550
Imports from U.S.	2,482	2,393	2,510
Exchange rate:			
\$1=FIM 6.50			

Sources: Board of Customs, Bureau of Statistics, Confederation of Finnish Industry and Employers (TT), Ministry of Finance.

U.S. Embassy Trade Personnel

Commercial Service of the United States
It. Puistotie 14 B
FIN-00140 Helsinki, Finland
or
PSC 78, Box H
APO AE 09723
Tel: (358-9) 171 931
Fax: (358-9) 635 332
E-mail: Helsinki.Office.Box@mail.doc.gov
Mr. Thomas Kelsey, Senior Commercial Officer (Stockholm)
Mr. Harri Makinen, Commercial Section Chief
Ms. Tarja Kunnas, Commercial Specialist
Ms. Mia Maki, Commercial Specialist (on maternity leave)
Ms. Merja Poikolainen, Commercial Assistant
Ms. Johanna Aaltonen, Commercial Assistant

Economic Section
It. Puistotie 14 B
FIN-000140 Helsinki, Finland
Tel: (358-9) 171 931
Fax: (358-9) 174 681
Ms. Ingrid Kollist, Economic Section Chief
Ms. Beatrice Soila, Economic Officer
Ms. Riikka Aho, Economic Assistant

Defense Attache Office
It. Puistotie 14 B
FIN-00140 Helsinki, Finland
Tel: (358-9) 171 931
Fax: (358-9) 171 396
Colonel James R. Luntzel, Defense & Air Attache/Chief, Security Assistance Office
Colonel John M. O'Sullivan, Jr., Army Attache/SAO Officer
Commander Roy N. Peterson, Naval Attache/SAO Officer

Foreign Agricultural Service
Dag Hammarskjolds Vag 31
S-115 89 Stockholm, Sweden
Tel: (46-8) 783 5390
Fax: (46-8) 662 8495
E-mail: agstockholm@fas.usda.gov
Ms. Lana S. Bennett, Agricultural Counselor (for Sweden, Finland, Norway, Estonia and Latvia)
Ms. Asa Lexmon, Agricultural Specialist
Ms. Bettina Dahlbacka, Marketing Specialist
Mr. Bjorn Engstrom, Marketing Assistant

Ms. Julia Suneson, Administrative Assistant

Chambers of Commerce

Mr. Kari Jalas
Managing Director
Central Chamber of Commerce
P.O. Box 1000 (Aleksanterinkatu 17, WTC Helsinki)
FIN-00101 Helsinki, Finland
Tel: (358-9) 696 969
Fax: (358-9) 650 303
Internet: www.keskuskauppakamari.fi
E-mail: keskuskauppakamari@wtc.fi

Mr. Timo Vuori
Secretary General
International Chamber of Commerce (ICC)
Aleksanterinkatu 17, WTC Helsinki
FIN-00100 Helsinki, Finland
Tel: (358-9) 669 459
Fax: (358-9) 6969 6647
Internet: www.iccfin.fi
E-mail: icc@wtc.fi

Mr. Heikki J. Perala
Managing Director
Helsinki Chamber of Commerce
Kalevankatu 12
FIN-00100 Helsinki, Finland
Tel: (358-9) 228 601
Fax: (358-9) 2286 0228
Internet: www.helsinki.chamber.fi
E-mail: kauppakamari@helsinki.chamber.fi

Mr. Matti Sundberg
Chairman
Finnish-American Chamber of Commerce
Arkadiankatu 2
FIN-00100 Helsinki, Finland
Tel: (358-9) 4695 539
Fax: (358-9) 695 553

Ms. Sirpa Rissa-Anttilainen
Managing Director
World Trade Center Helsinki
P.O. Box 800 (Aleksanterinkatu 17)
FIN-00100 Helsinki, Finland
Tel: (358-9) 6969 2020
(358-9) 6969 2121 (trade information)
Fax: (358-9) 6969 2027
Internet: www.wtc.fi

E-mail: sirpa.rissa-anttilainen@wtc.fi

Country Trade Associations

Mr. Guy Wires
Managing Director
Federation of Finnish Commerce and Trade
Mannerheimintie 76 A
FIN-00250 Helsinki, Finland
Tel: (358-9) 531 560
Fax: (358-9) 4315 6302
Internet: www.kaupankl.fi
E-mail: guy.wires@kaupankl.fi

Central organization for 40 branch associations

Ms. Airi Vaaranto
Head of Secretariat
Finnish Foreign Trade Agents' Federation
Elimaenkatu 29
FIN-00510 Helsinki, Finland
Tel: (358-9) 8683 1650
Fax: (358-9) 8683 1651
Internet: www.agenttiliitto.fi
E-mail: fftaf@agenttiliitto.fi

Mr. Sakari Virtanen
Managing Director
Finnish Direct Marketing Association
Lonnrotinkatu 11 A
FIN-00120 Helsinki, Finland
Tel: (358-9) 2287 7400
Fax: (358-9) 6121 039
Internet: www.ssml-fdma.fi
E-mail: sakke@ssml-fdma.fi

Mr. Johannes Koroma
Director General
Confederation of Finnish Industry and Employers
P.O. Box 30 (Etelaranta 10)
FIN-00130 Helsinki, Finland
Tel: (358-9) 686 81
Fax: (358-9) 6868 2316
Internet: www.tt.fi
E-mail: tt@tt.fi

Mr. Martti Maenpaa
Director General
Federation of Finnish Metal, Engineering and Electrotechnical Industries (FIMET)
P.O. Box 10 (Etelaranta 10)

FIN-00130 Helsinki, Finland
Tel: (358-9) 192 31
Fax: (358-9) 624 462
Internet: www.met.fi
E-mail: martti.maenpaa@met.fi

Mr. Timo Poranen
Managing Director
Finnish Forest Industries' Federation
P.O. Box 336 (Snellmaninkatu 13)
FIN-00170 Helsinki, Finland
Tel: (358-9) 132 61
Fax: (358-9) 1324 445
Internet: www.forestindustries.fi
E-mail: timo.poranen@forestindustries.fi

Mr. Tapani Kaskeala
Chairman, President
Finpro
P.O. Box 908 (Arkadiankatu 2)
FIN-00100 Helsinki, Finland
Tel: (358-204) 6951
Fax: (358-204) 695 535
Internet: www.finpro.fi
E-mail: info@finpro.fi

Ms. Sirkka Aura
Chief Executive
Invest in Finland Bureau
Aleksanterinkatu 17, WTC Helsinki
FIN-00100 Helsinki, Finland
Tel: (358-9) 6969 125
Fax: (358-9) 6969 2530
Internet: www.investinfinland.fi
E-mail: investinfinland@wtc.fi

Country Government Offices

Dr. Jaana Husu-Kallio
Head of Veterinary Department
Ministry of Agriculture and Forestry
Kluuvikatu 4 A
FIN-00100 Helsinki, Finland
Tel: (358-9) 160 3385
Fax: (358-9) 160 3338
Internet: www.mmm.fi
E-mail: jaana.husu-kallio@mmm.fi

Ms. Elina Lehto
Director
Employment and Economic Development Center

P.O. Box 15 (Maistraatinportti 2)
FIN-00240 Helsinki, Finland
Tel: (358-9) 2534 2401
Fax: (358-9) 2534 2000
Internet: www.te-keskus.fi
E-mail: elina.lehto@te-keskus.fi

Dr. Osmo Maki-Petays
Head of Meat Hygiene Unit
National Food Agency
P.O. Box 28
FIN-00581 Helsinki, Finland
Tel: (358-9) 3931 500
Fax: (358-9) 3931 590
Internet: www.nfa.fi/english
E-mail: osmo.maki-petays@nfa.fi

Mr. Veikko Koskela
Senior Customs Inspector
The Board of Customs
P.O. Box 512 (Erottajankatu 2)
FIN-00120 Helsinki, Finland
Tel: (358-9) 6141
Fax: (358-9) 6142 256
Internet: www.tulli.fi
E-mail: veikko.koskela@tulli.fi

Mr. Timo Relander
Director General
Statistics Finland
Työpajankatu 13
00022 Tilastokeskus (Helsinki)
Tel: (358-9) 173 41
Fax: (358-9) 1734 2279
Internet: www.stat.fi
E-mail: kirjasto.tilastokeskus@tilastokeskus.fi

Mr. Heikki Partanen
Chief Inspector
Office of Data Protection Ombudsman
P.O. Box 315 (Albertinkatu 25 A, 3rd fl.)
FIN-00180 Helsinki, Finland
Tel: (358-9) 182 51
Fax: (358-9) 1825 7835
Internet: www.tietosuoja.fi
E-mail: tietosuoja@om.vn.fi

Mr. Jyrki Alanko
Manager, Information Services
Finnish Standardization Association (SFS)
Maistraatinportti 2 A, 3rd fl.

FIN-00240 Helsinki, Finland
Tel: (358-9) 1499 331
Fax: (358-9) 1464 925
Internet: www.sfs.fi
E-mail: sfs@sfs.fi or jyrki.alanko@sfs.fi

Mr. Tuomo Ilomaki
Managing Director
Finnish Electrotechnical Standard Association (SESKO)
P.O. Box 134 (Sarkiniementie 3)
FIN-00210 Helsinki, Finland
Tel: (358-9) 696 391
Fax: (358-9) 677 059
Internet: www.sesko.fi
E-mail: info@sesko.fi

Mr. Martti Enajarvi
Director General
National Board of Patents and Registration
Arkadiankatu 6 A
FIN-00100 Helsinki, Finland
Tel: (358-9) 6939 500
Fax: (358-9) 6939 5328
Internet: www.prh.fi
E-mail: martti.enajarvi@prh.fi

Ms. Eeva Kelloniemi
Engineer – Product Safety
National Consumer Administration
P.O. Box 5 (Haapaniemenkatu 4)
FIN-00530 Helsinki, Finland
Tel: (358-9) 772 61
Fax: (358-9) 7726 7557
Internet: www.kuluttajavirasto.fi
E-mail: posti@kuluttajavirasto.fi

Country Market Research Firms

Mr. Ari Heino
Managing Director
Research International RI Finland
(member of Research Int. Group Ltd.)
Lapinlahdenkatu 3 A 14
FIN-00180 Helsinki, Finland
Tel: (358-9) 6859 930
Fax: (358-9) 6859 9333
Internet: www.research-int.com

Mr. Risto Maila
Managing Director
A.C. Nielsen Finland Oy

Tietajantie 14
FIN-02130 Espoo, Finland
Tel: (358-9) 430 030
Fax: (358-9) 463 628
Internet: www.acnielsen.fi
E-mail: acn@finland.acnielsen.com

Ms. Tiina Myllykangas-Suonto
Publicist
MTT Economic Research
P.O. Box 3
FIN-00411 Helsinki, Finland
Tel: (358-9) 504 471
Fax: (358-9) 563 1164
Internet: www.mtt.fi/mttl/
E-mail: tiina.myllykangas-suonto@mtt.fi

Country Commercial Banks

Mr. Kari Jordan
Managing Director
Nordea (formerly Merita Bank Plc)
Aleksanterinkatu 30
FIN-00020 Nordea-Merita (Helsinki), Finland
Tel: (358-9) 1651
Fax: (358-9) 1654 2838
Internet: www.merita.fi / www.nordea.com

Mr. Mikael Silvennoinen
Managing Director
Okopankkien Keskuspankki Oyj (Okobank)
Teollisuuskatu 1 b
FIN-00510 Helsinki, Finland
Tel: (358-9) 4041
Fax: (358-9) 4043 703
Internet: www.okobank.com

Mr. Pentti Hakkarainen
EVP Head of Distribution & Banking
Sampo Pankki Oyj. (Sampo Bank Plc.)
Unioninkatu 22
FIN-00075 SAMPO (Helsinki), Finland
Tel: (358-10) 51510
Fax: (358-10) 513 2608
Internet: www.sampo-leonia.fi

Mr. Jan Stjernstrom
Managing Director
Citibank International Plc.
Finland Branch
Aleksanterinkatu 48 A

FIN-00100 Helsinki, Finland
Tel: (358-9) 348 87200
Fax: (358-9) 3488 7388
Internet: www.citibank.com

Washington-Based USG Country Contacts

Ms. Erin Cole
International Trade Specialist
U.S. Department of Commerce
Office of European Union and Regional Affairs
Washington, D.C. 20230
Tel: (202) 482-4414
Fax: (202) 482-2897
E-mail: erin_cole@ita.doc.gov

Mr. Andrew Burst
Area Officer – Eastern Europe & Eurasia
Foreign Agricultural Affairs
U.S. Department of Agriculture
Washington, D.C. 20250
Tel: (202) 690-4053
Fax: (202) 690-2909
E-mail: BurstA@fas.usda.gov

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Tel: (202) 720-7420
Fax: (202) 690-4374
Internet: www.fas.usda.gov
E-mail: info@fas.usda.gov / TAPO@fas.usda.gov

TIC Trade Information Center in Washington
Tel: 1-800-USA-TRADE
Internet: www.trade.gov/td/tic
E-mail: TIC@ita.doc.gov

U.S. Department of State
Commercial and Business Affairs (E/CBA)
2201 C Street NW
Washington, D.C. 20520
Tel: (202) 647-1625
Fax: (202) 647-3953
Internet: www.state.gov/www/about_state/business/index.html
E-mail: cbaweb@state.gov

Oveseas Private Investment Corporation (OPIC)
1100 New York Avenue, NW, 12th fl.
Washington, D.C. 20527
Tel: (202) 336-8799

Fax: (202) 408-9859
Internet: www.opic.gov
E-mail: info@opic.gov

List of Available Industry Sector Reports – FY 2001:

- Internet Security Solutions
- M-commerce
- E-commerce
- Finland's Short Message Market
- Internet Security
- Waste from Electrical and Electronic Equipment
- Water Treatment Equipment and Services
- Biotechnology with Medical Applications
- Automotive Parts and Accessories
- The Finnish Automobile Market in 2000
- Visit USA Market
- Media List (travel)
- Energy: Co-Generation
- Franchising: Fast Food/Restaurants, etc.

A complete list of market research is available on the Department of Commerce National Trade Data Bank (NTDB) or at www.usatrade.gov.

THAT'S IT (the leading information technology and telecommunications event in Finland), Helsinki Fair Center, Helsinki, October 2-4, 2001
HITEC, Tampere Fair Center, Tampere, October 17-19, 2001
ENERGY 01, Helsinki Fair Center, Helsinki, November 13-15, 2001
HELSINKI MOTOR SHOW 2001, Helsinki Fair Center, Helsinki, November 30 - December 2, 2001
THE FINNISH MEDICAL CONVENTION & EXHIBITION, Helsinki Fair Center, Helsinki, January 6-10, 2002
MATKA 2002 (travel fair), Helsinki Fair Center, Helsinki, January 17-20, 2002 (USG supported event)
FINN BUILD 2002, Helsinki Fair Center, Helsinki, March 6-10, 2002
VISIT USA Travel Seminar, March 14, 2002, venue TBA, Helsinki (USG supported event)
GASTRO 2002 (Hotel, Restaurant and Catering Fair) Helsinki Fair Center, March 20-22, 2002
AMERICAN CAR SHOW 2002, Helsinki Fair Center, Helsinki, March 29 - April 1, 2002
MOBILE COMMUNICATIONS 2002 EXPO, Helsinki Fair Center, Helsinki, April 16-17, 2002
FINN TEC 02 (Finland's biggest technical fair) Helsinki Fair Center, Helsinki, April 23-26, 2002
INTERNET EXPO 2002, Wanha Satama, Helsinki, August 28-29, 2002

More information from:
Helsinki Fair Center: www.suomenmessut.fi
Wanha Satama: www.wanhasatama.com
Tampereen Messut: www.tampereenmessut.fi

